

Corporate Social Responsibility Report

2007

Sompo Japan in brief

Sompo Japan was established on July 1, 2002, through the merger of Yasuda Fire & marine Insurance and Nissan Fire & Marine Insurance. "Sompo" is an abbreviated term for property and casualty insurance in Japanese.

We conduct business through our 621 offices in Japan and 41 overseas, a nationwide claim service network of 233 locations, as of July 1, 2007. We have a workforce of 14,906 employees as of end March 2007. Net premiums written in fiscal 2006 amounted to 1,386,662 million yen.

Sompo Japan began its corporate social responsibility (CSR) activities in the 1970s through contributions to arts and culture. Our efforts to tackle environmental issues as a corporation started in 1992 with the creation of the Department of Global Environment. Since then we have continued these activities under the motto of "participation, self-motivation, and perseverance." In 1995 we became a signatory to the UNEP Statement of Environmental Commitment by the Insurance Industry (what is now called UNEPFI). In 1997, we became the first financial institution in Japan to acquire ISO 14001 certification. We also have been a member of the World Business Council for Sustainable Development (WBCSD) since its establishment.

In 2005, we became signatories of UN Global Compact and UNEP Principle for Responsible Investment (PRI), a first among the Japanese insurance company. In addition to those initiatives, as we seek to demonstrate leadership on the issue of climate change, in 2007, we became signatories to the statement "Caring for Climate" of the Global Business Leadership Platform on Climate Change under UN Global Compact. We also offer a variety of insurance and financial products that could contribute to the environmental protection and safety and loss prevention of the society.

Consolidated Financial Highlights in FY2006

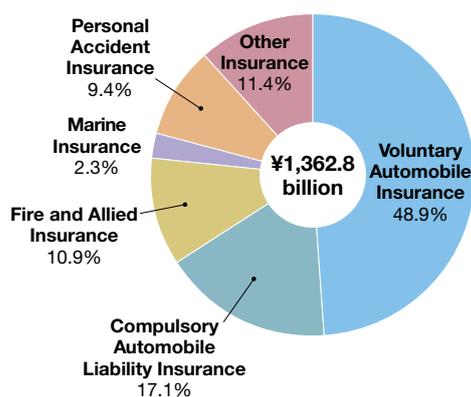
| | Millions of Yen | | | Thousands of U.S. Dollars |
|------------------------------------|-----------------|------------|------------|---------------------------|
| | 2007 | 2006 | 2005 | 2007 |
| Net premiums written | ¥1,386,663 | ¥1,394,784 | ¥1,376,233 | \$11,742,425 |
| Total interest and dividend income | 132,127 | 110,32 | 94,511 | 1,118,867 |
| Net income | 61,944 | 67,377 | 51,766 | 524,549 |
| Total assets | 7,002,180 | 6,774,813 | 5,874,859 | 59,295,283 |

Non-Consolidated Financial Highlights in FY2006

| | Millions of Yen | | | Thousands of U.S. Dollars |
|------------------------------------|-----------------|------------|------------|---------------------------|
| | 2007 | 2006 | 2005 | 2007 |
| Net premiums written | ¥1,362,785 | ¥1,370,920 | ¥1,351,915 | \$11,540,224 |
| Total interest and dividend income | 113,625 | 95,039 | 82,706 | 962,190 |
| Net income (loss) | 48,159 | 67,858 | 56,898 | 407,816 |
| Total assets | 6,029,789 | 5,934,761 | 5,157,080 | 51,060,962 |
| | Percent | | | |
| Loss ratio | 64.3% | 61.3% | 64.8% | |
| Expense ratio | 30.9% | 30.3% | 30.9% | |

Notes: 1. U.S. dollar amounts are translated from yen at the rate of ¥118.09=U.S.\$1.00, the approximate rate prevailing at March 31, 2007.
2. Total interest and dividend income comprises "Interest and dividend income on deposits of premiums, etc." and net "Interest dividend income."

Net premiums written by categories in fiscal 2006



Sompo Japan Head Office (Shinjuku, Tokyo)

CONTENTS

| | |
|--|----|
| Message from CEO..... | 2 |
| CSR Management of Sompo Japan..... | 4 |
| Corporate Governance and Compliance..... | 6 |
| 1 For Our Customers..... | 8 |
| 2 For Shareholders and Investors..... | 16 |
| 3 For Our Employees..... | 18 |
| 4 For the Environment..... | 22 |
| 5 For Society..... | 30 |
| Third Party Comments..... | 34 |

For Readers

This is the sixth annual sustainability report from Sompo Japan, and tenth counting from our predecessor, Yasuda Fire & Marine Insurance. All the previous reports were issued in both English and Japanese.

This report is part of Sompo Japan's annual reporting in the fiscal year 2006 (April 2006 – March 2007), though some activities conducted after that period are also included.

Issued after the Annual Report 2007 (published August 2007), this report takes account of Sompo Japan's CSR initiatives with a focus on communication with diverse stakeholders. Initiatives reported here include the activities of some of our group companies, such as Sompo Japan Risk Management Co., and Sompo Japan Asset Management Co., Ltd.

For details of financial performances and activities, please refer to our Annual Report 2007, which is available on our website along with our sustainability reports:

<http://www.sompo-japan.co.jp/english/>

In preparation of the report, we have used the following guidelines as reference:

*Sustainability Reporting Guidelines 2006, Global Reporting Initiative

*Environmental Reporting Guidelines 2003, Ministry of the Environment, Japan



Trust and Partnership: The Keys for Sompo Japan to Help Shape the Future

Taking the Next Leap with Stronger Governance

In September 2006, Sompo Japan established a new medium-term business plan. Our aim here was to improve the transparency and accountability of the group's management based on a corporate governance policy that we established at the same time. I believe that this type of foundation reinforcement will lead to the realization of a true customer-first policy and is critical to our achievement of continuous growth.

Above all, the implementation of this medium-term business plan strongly turns on to motivated employees who are willing to undertake higher quality work. As a CEO of the company with 14,906 individuals, I am determined to aggressively invest management resources and emphasize two-way communication with employees, in order to create an ideal work environment where they can unleash their full potential.

Our challenge toward the development of Sustainable Society

Companies are being asked to leverage the strengths they possess in their respective business areas and to act toward the creation of a sustainable society. From this perspective, I see risk management and finance as the areas of regular business in which Sompo Japan, as a non-life insurance company, should concentrate its efforts.

As for the efforts in the area of its core business, Sompo Japan will give priority to working on (1) adaptation to and mitigation of climate change, (2) risk management for safety and peace of mind, and (3) CSR financing. These are areas in which stakeholders have particularly strong concern and expectations and in which Sompo Japan can utilize its business characteristics and past record. In the area of social contribution the company will focus on (4) promoting cooperation within communities.

Other efforts thus far, besides CSR activities

implemented through our core business, include contributions made to society as a company primarily through our three foundations, and community involvement made with employee in which we encourage full participation.

We, Sompo Japan has built up a track record of corporate foundations in the areas of environment, fine art, and the welfare as a pillars of its social contributions. In line with its motto of "participation, self-motivation, and perseverance," it has also put effort into CSR activities in which employees can participate. Going forward, we will enhance and expand these contributions.

Through these efforts, Sompo Japan will act toward the realization of sustainable society.

Taking the First Step toward Partnerships

Most of the social and environmental issues faced by modern society are complex and interconnected. Addressing these issues requires all sectors of society to engage and combine their abilities into action. The expectations placed on businesses have increased in particular, and Sompo Japan will not respond to those expectations passively; instead, we will take the first step in building partnerships toward these challenges. Sompo Japan will be the kind of entity that takes positive action, a company that will continue to make unrelenting effort.

We hope for your strong and consistent support in these endeavors.

August 2007



Masatoshi Sato
President and Chief Executive Officer

Sompo Japan Group is committed to *creating social value* based on the *firm trust of society*.

We established the Sompo Japan Regeneration Plan with the aim of transforming the major premises underlying our business, namely the establishment of a highly transparent corporate governance system, the improvement of risk management and compliance effectiveness, and the creation of a corporate culture in which employees can work enthusiastically. We are steadily implementing this plan in order to secure the firm trust of society.

Achieving sustainable growth together with society necessitates having a process that meets the expectations of stakeholders. This process must facilitate Sompo Japan Group's utilization of its business strengths as a non-life insurance company to help solve social issues and enable

all employees to think and act independently. Accordingly, we are developing our CSR activities in three areas: Sompo Japan Group's core business (risk management and finance), social contributions in three areas (welfare, fine arts, and the environment), and the participation of every employee in activities. Within these areas we have identified four priority issues on which we will especially concentrate our efforts going forward.

We will make the PDCA cycle, cooperation with NPOs, and engagement with stakeholders—three important factors that Sompo Japan Group has consistently emphasized—the driving force as we develop individual initiatives.

CSR activities - Four priority issues

1. Adaptation to and mitigation of climate change

Climate change is not merely limited to environmental issues; it is a serious problem that will have far-reaching effects on the economy and society as a whole. It is an issue that should be addressed over the long-term through the united efforts of governments, businesses, the public, and the entire world.

Dealing with the increasing damage arising from natural disasters and abnormal weather triggered by climate change, referred to as climate risk, is an important business challenge for Sompo Japan Group as a financial group, and we have accordingly been striving to address climate change from early on.

The role expected of financial functions within climate change countermeasures has been increasing in importance. In response, Sompo Japan Group will focus on initiatives carried out through its core business such as supporting adaptation measures in developing countries that are prone to the effects of climate change, supporting investment activities that help businesses and individuals choose environmentally conscious companies, and conducting R&D on insurance related to the emissions credit business, which leads to the abatement of greenhouse gases in developing countries.

2. Risk management for safety and security

One of Sompo Japan Group's management principles is the provision of excellent solutions to the risks associated with individuals' lives and business activities through the development of products and services suited to the times and reliable contract procedures based on customers' needs for safety and security.

Another important CSR activity that Sompo Japan Group conducts through its main business as an insurance group is the utilization of the vast accident data and risk quantification know-how that Sompo Japan Group has accumulated over many years

to promote information provision, consulting, and awareness-raising and educational activities related to risk management and accident prevention for the safety and security of society.

3. CSR financing

Leveraging its function as a financial institution group to promote CSR financing, which contributes to the solving of societal challenges, is another priority issue for Sompo Japan Group.

In terms of investment and loans, Sompo Japan Group is promoting the spread of socially responsible investment, which contributes to the sustainable development of society through the flow of money by appraising initiatives that companies take toward sustainability.

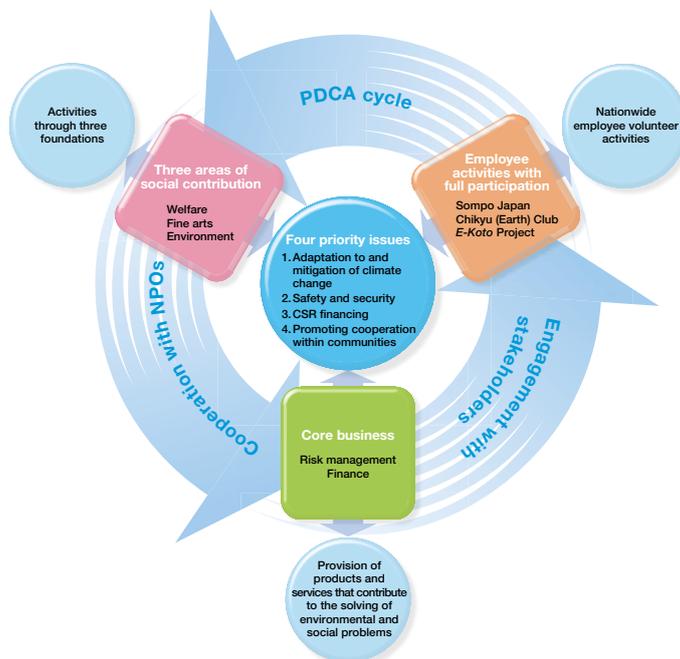
Moreover, aiming to be a comprehensive service provider group for risk and asset management, Sompo Japan Group will contribute to society by developing a business structure that meets the needs of the new age—one with a high proportion of older persons—by driving its life insurance, defined-contribution pension plan, health care, and other businesses forward.

4. Promoting cooperation within communities

Sompo Japan Group has 621 offices across Japan and 41 overseas, and a claim service network of 233 locations. In addition we are developing a community-based business through more than 60,000 insurance agencies.

Making an active commitment to community issues and cooperating with residents, local authorities, civic organizations (NPOs) and others to produce solutions is an important responsibility for Sompo Japan Group as a member of the local community. The group supports the active involvement of employees in their communities and will promote the development of environments that facilitate such involvement.

Areas of CSR Activities



Toward the Firm Trust of Society and the Creation of Social Value: The Increasing Importance of Stakeholder Engagement

One important aim in the practice of CSR is the securing of the firm trust of society by accurately understanding the expectations of stakeholders and responding to their opinions.

Approaching stakeholders and working together with them to create new social value toward the realization of sustainable society is also very important.

We take stakeholder engagement to mean the process of building relationships of trust and cooperation through dialogue with stakeholders. This process is vital to deepen CSR initiatives and achieve greater successes.

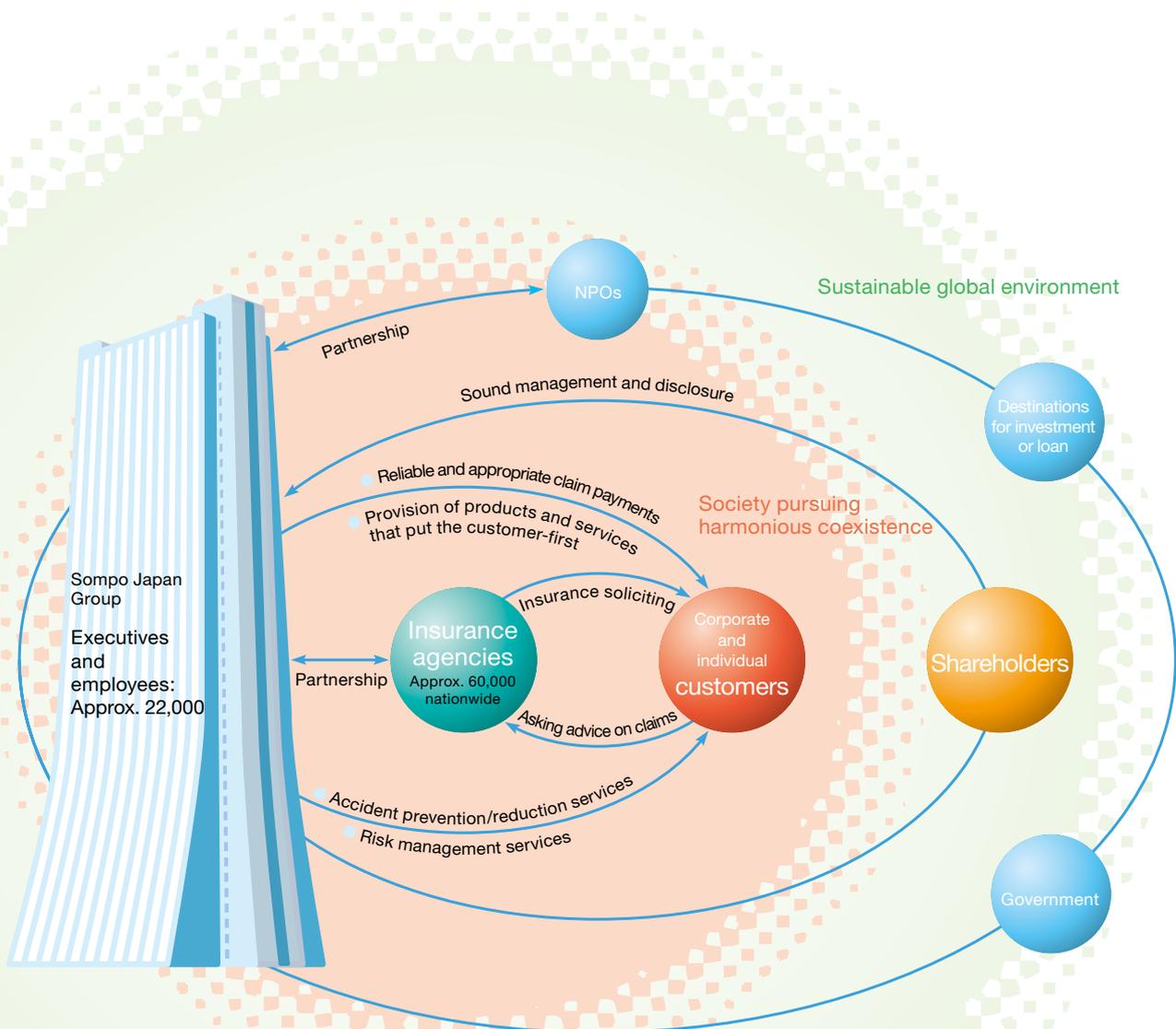
Turning stakeholder voices into the driver of innovation

The most basic principle of stakeholder engagement is to listen to the voices of stakeholders and respond to their questions. In fiscal 2006 we started a new initiative to utilize “the Voice of the Customer (inquiries, opinions, requests, and complaints from customers)” in management innovations (see page 8). Reforming the work process, which is part of the Sompo Japan Regeneration Plan (see page 16), is one example. We have created a new framework for listening

and responding to the customer feedbacks, agencies, and external experts. We are using this feedback enthusiastically to reconsider and rebuild all the work processes from start to finish—that is, from the planning and development of products and services right through to the claim payment.

Expanding the circle of sympathy and working together

We do not merely listen to and connect the opinions of stakeholders to our own innovations; actively approaching stakeholders is also important. The various issues faced by modern day society, including climate change, are complex. The cooperation of multiple sectors of society is critical to solve these issues. For the past 15 years Sompo Japan Group has held Public Seminars on the Environment (see page 27) from a desire to think about issues together with stakeholders, expand the circle of sympathy, and work together to create a sustainable society. From fiscal 2006 we have been holding these seminars in local areas in order to further expand the circle of sympathy. In the future we are to start holding CSR Dialogs, increase opportunities to sync with community members, and further promote cooperation.



Corporate Governance Policy and Basic Policy on the Establishment of Internal Control Systems

Corporate Governance Policy

Sompo Japan provides various economic entities, including consumers and businesses, with cover against different types of risk. We firmly believe that insurance companies have a mission and a public responsibility to contribute to the maintenance of national living standards and economic development through these activities, and that sound, effective corporate governance is essential to the fulfillment of this role.

This perception is reflected in the following corporate governance policy, which was adopted by resolution of the Board of Directors on September 25, 2006. Under this policy, we will maintain high standards of soundness and transparency in our corporate governance systems.

Overview of Governance Organization

Sompo Japan operates under the “company with auditors” structure. Our directors have extensive knowledge of the insurance business, and their management decisions are checked by corporate auditors. We have also adopted an executive officer system, under which executive functions are separated from the supervisory role of the Board of Directors. This structure combines effective management supervision with the efficient performance of business operations. In addition to these structures, we have also established committees comprised mainly of outside experts. Their task is to maintain high standards of soundness and transparency by exposing our corporate governance structure to external scrutiny.

From the Establishment of a Compliance Mindset to Specific Actions

Sompo Japan is attempting to firmly institute an effective compliance mindset through the establishment of company arrangements and by taking concrete actions as an organization to solve issues based on the independent thinking of employees.

Establishment of a Compliance Policy and Implementation Plan

■ Issues made apparent through fiscal 2006 activities

Each fiscal year the Board of Directors decides the basic policies of Sompo Japan’s Compliance Policy. Afterwards, each workplace across the country formulates a Compliance Implementation Plan based on the company-wide compliance policy and drives compliance forward by deciding on concrete actions to take.

The following issues became apparent through the undertaking of initiatives in fiscal 2006.

- Although the importance of compliance may be comprehended, this understanding is not always reflected in concrete actions.
- There are still departments and branches whose compliance initiatives remain weak.
- Insurance agencies need to be encouraged more.

Accordingly, in fiscal 2007 Sompo Japan will take initiatives together with insurance agencies to regain the trust of our stakeholders through the independent thinking, judgment, and action of employees under the slogan of “From the Establishment of a Compliance Mindset to Specific Actions.”

Basic Policy on the Establishment of Internal Control Systems

Sompo Japan believes that sound business development depends not only on the timely and efficient performance of business operations, but also on the promotion of compliance in all facets of corporate activities, as well as the establishment of sophisticated and highly independent risk management systems covering insurance underwriting and asset management. The specialist units that we have established for these purposes are the Compliance Department, Business Audit Department and Risk Management Department. To maintain independence and enhance the effectiveness of internal control systems, the officers responsible for these three departments avoid concurrent responsibilities in income generating departments.

At its meeting on April 28, 2006, the Board of Directors passed a resolution adopting a basic policy on the establishment of internal control systems. This policy was partially amended on June 26, 2006, March 16, 2007 and May 1, 2007.

Directors perform their duties in accordance with laws and regulations, the articles of association, and the management philosophy of the Sompo Japan Group. They are also establishing systems to improve the quality of corporate governance and ensure that Sompo Japan conducts its business operations in an appropriate manner.

Fiscal 2007 Compliance Policy

(1) Persistent profession and practice of a business attitude emphasizing compliance

In order to share with employees and insurance agencies the conviction of emphasizing compliance and always being sincere, the executive team will always conduct business while demonstrating such an attitude.

(2) Strengthening of the middle management abilities aimed at action based on legal and regulatory compliance and a high sense of ethics, and their practice by employees

Through the strengthening of the middle management abilities in the Sompo Japan Regeneration Management Training and other in-service training middle managers will provide leadership by example to their subordinates which will lead to the actions of all employees.

(3) Establishment of an management system for an appropriate insurance solicitation and claim payment

Sompo Japan will work to recover the trust of customers by establishing an appropriate insurance solicitation attitude and an appropriate insurance payment attitude based on coexistence with insurance agencies.

(4) Preparation and establishment of an effective system for the early grasping and solving of problems

Sompo Japan aims to implement specific measures toward the early grasping of problems and team-based solving of issues by enlivening workplace communication through inspections and the boosting of compliance meeting effectiveness.

Framework for ensuring thorough compliance

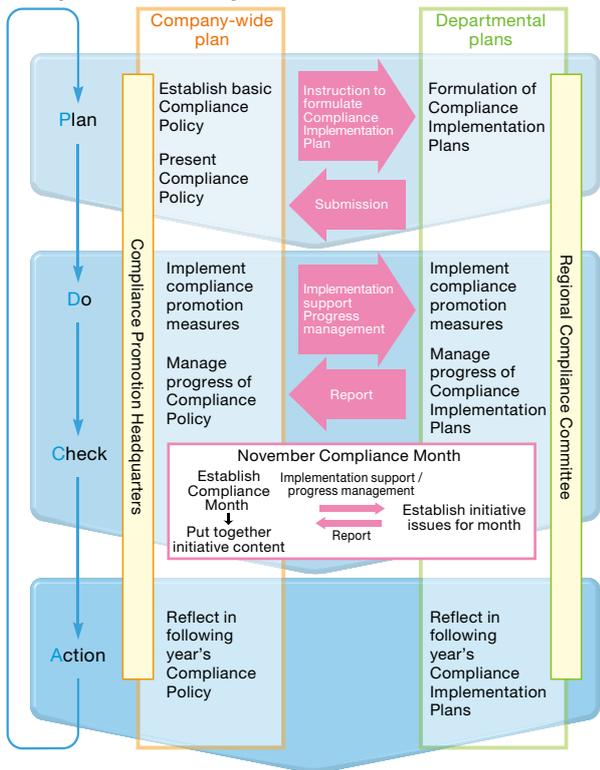
Sompo Japan is implementing initiatives such as the following to firmly establish a compliance mindset among all executives and employees and encourage concrete actions.

■ Compliance Hotline

Sompo Japan has maintained a Compliance Hotline inside the company since May 2002 and outside the company (at a lawyer's office) since December 2005 as a point of direct consultation regarding employees' compliance-related concerns and problems. The hotline is open to receive consultations via phone, e-mail, or letters at any time, and works to solve problems.

Sompo Japan Compliance Hotline

Compliance PDCA cycle



■ Compliance training

Sompo Japan has since before required all executives and employees to take compliance training four or more times a year. We are enhancing case study training using misconduct that could actually occur as subject material and developing other training programs that help employees think independently through discussions and that can be usefully reflected in actual actions.

■ Compliance tests and questionnaires

Every year Sompo Japan gives compliance tests to all executives and employees, including the president. Since fiscal 2006, we have been conducting a compliance questionnaire together with the tests as a means of gauging the degree of penetration of a compliance mindset among all executives and employees in determining the effectiveness of policies. We reflect survey results in the following year's policies.

■ Internal satellite broadcasts

Every month Sompo Japan makes an internal satellite broadcast of "Got it! Understanding Compliance," a program that provides and explains compliance related information. The program intends to not only have people know about the important rules and appropriate behavior at the base of employees' and insurance agencies' everyday work; it sends out the kind of information that will convince people to practice compliance.

■ Compliance messages

Sompo Japan takes every opportunity to send employees messages related to compliance. Examples include:

- Messages sent by the executive team in meetings etc.
- Messages sent within workplaces by the middle management (using e-mail and other means).
- Compliance messages displayed on startup by computers used for daily work.

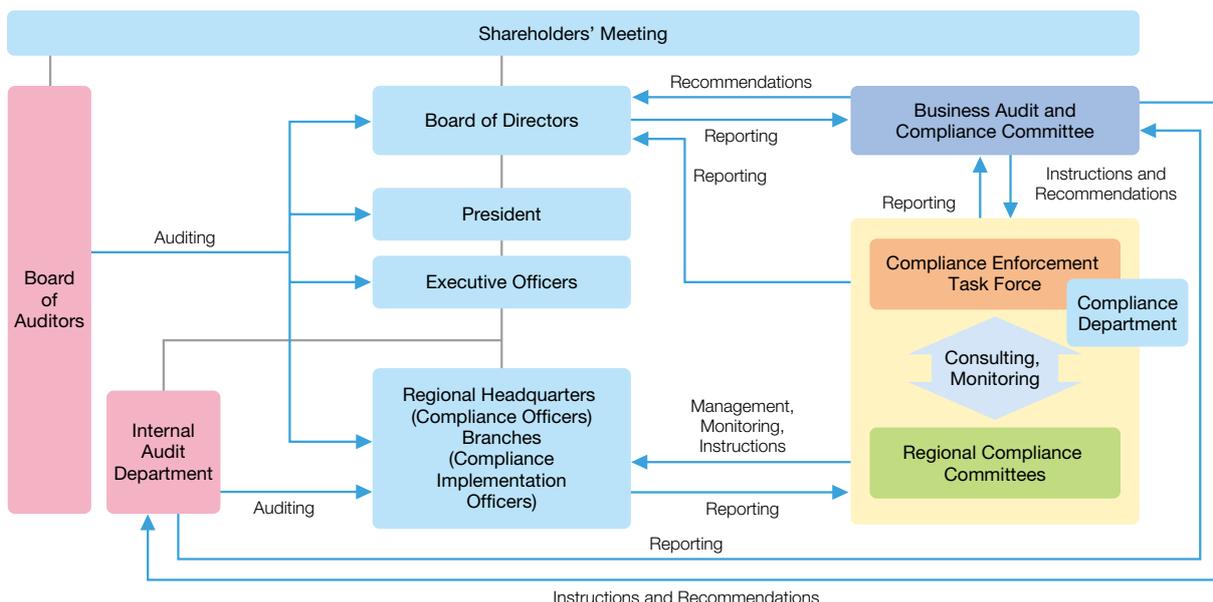
■ Compliance Month

We have designated November as Compliance Month since fiscal 2006. During Compliance Month we attempt to thoroughly ground awareness and establish initiatives through concentrated efforts. Initiatives started and tools developed in each workplace during this month are shared throughout the company through internal satellite broadcasts and our company-wide information network.

■ Compliance Companion / Compliance Manual

All executives and employees always carry the Compliance Companion, which contains extracts of compliance rules and related laws and regulations. Compliance Manuals are always on hand for reference and are used in everyday work to improve compliance awareness and knowledge.

Internal Management System



1

For Our Customers

We have made a thorough effort to realize service quality improvement by reconsidering the entire work process, from product development through marketing to the claim payment, based on the fundamental principle of “customer-first.” We are also putting an emphasis on “risk management for safety and security” by leveraging our expertise in our core business to provide risk management-related services for accident prevention and disaster recovery.



Framework for reflecting customer opinions in company management

- **Sharing input between departments through “customer-first meetings”**

Gathering and analyzing a variety of opinions from customers and sharing that input with the relevant units is critical to practicing a “customer-first” policy.

Sompo Japan has been actively gathering customer opinions through insurance agencies, local offices and branches, service centers (SC), call centers and other departments, the company’s homepage, questionnaire surveys, and other means since fiscal 2006. The Customer Relations Office and Market Development Office, which are in charge of the Voice of the Customer, manage this feedback in an integrated fashion to grasp and analyze the underlying factors and needs behind customers’ comments and demands. The findings are shared with relevant units through “customer-first meetings” and lead to the improvement of products and services.

- **Registering complaints on the company intranet**

We register customer complaints on the company intranet to share information with the relevant units. The departments in charge of customer opinions provide support and follow up to make sure that the units responding to complaints can do so appropriately. In an effort to fundamentally solve the problem, we analyze the background and factors behind complaints and instruct the relevant units to take measures to prevent a recurrence.

We regularly give reports on the contents of complaints and the status of responses to the Business Audit and Compliance Committee, which is composed mainly of outside members, and incorporate their valuable feedback into work practices.

Moreover, we also regularly report customer opinions to the board of directors and others, which leads to the sharing of analysis results and specific policies.

- **Strengthened call center**

In May 2006 Sompo Japan opened a 90-booth Customer Center inside the Saga Call Center with the aim of responding appropriately in a high-quality manner to customer comments and reflecting that feedback in management practices. This Center strengthens our operation during weekday nights (until 8 p.m.), weekends, and holidays for responding to inquiries about products, contracts, and other matters.

Displaying the status of responses to customer opinions on our homepage

Since October 2006, we have been disclosing information quarterly on our company homepage about the status and nature of customer complaints we have received. Since July 2007, we have included Reports on the Voice of the Customer, which summarize the status of our efforts to respond to customer opinions. Furthermore, we developed a “Customer Feedback in Practice” section on our homepage to disclose the status of responses to customer opinions in an effort to improve transparency. We also accept inquiries, consultation, opinions, and requests through the “Central Customer Contact Point” on our homepage. We plan to prepare Reports on the Voice of the Customer every year.

Working to restore the trust of customers based on the original purpose of the Service Center

● **Toward the restoration of trust of trust**

After the 2006 administrative order, Sompo Japan has focused on infrastructure development toward the early restoration of trust from customers and has pushed forward with the thorough and appropriate handling of business and the development of claim settlement management.

In fiscal 2007, we will strengthen the foundation built the previous year, continue working to restore the trust of customers, and make an effort to improve the quality of claim response services in line with the basic stances of “reliable fulfillment of insurance contracts” and “the practice of just and fair claim payment.”

In addition to strengthening our claim settlement management, we will also take aggressive steps to enhance our responses if an unforeseen accident happens to a customer.

● **Strengthening the SC system and boosting its personnel**

Sompo Japan’s Service Center (SC) is the point of contact through which we respond if an insured claim happens to a customer. The SC is on the frontline of the restoration of trust simply because it has so many opportunities to come into direct contact with customers to provide support when claims occur and to make claim payments.

Accordingly, we greatly increased the SC staff from approximately 7,900 in fiscal 2006 to approximately 8,600 as of July 2007 in order to provide customers with adequate support when accidents occur and to make appropriate claim payments. We also strengthened our SC setup with nine additional centers, giving us 233 SCs nationwide, and increased the number of SCs specializing in claim response services for our “Fire and Casualty Insurance.”

● **Strengthening our educational framework**

We have developed an education framework to prepare all employees who work at SCs for providing customers with detailed responses. In July 2006 we established a training center, which we used to hold group training programs mainly for new SC employees and to improve work knowledge and the ability to respond with the customer’s perspective in mind.

Furthermore, we increased the number of educational staff members nationwide and established an organization exclusively for education in urban areas in April 2007 in an effort to further strengthen our educational framework.

Working to promote investment based on corporate assessments from various angles

● Our responsibility as a financial institution

As a non-life insurance company Sampo Japan has a responsibility to safely and effectively manage the funds it receives in the form of premiums from policyholders and to ensure that the company is in a strong financial condition as a financial institution for future claim payments. We believe that we can help to create a better society through the process of managing and investing these funds by considering the impacts on society and the environment.

● Socially responsible investment

Socially-responsible investment (SRI) is an approach to investing that places importance not only on the economic aspects of a company but also on the real consequences (materiality*) that CSR activities have on corporate value. By incorporating a multidimensional assessment of a company's CSR activities (including environmental, social, and governance-related aspects) into the investment and loan process, SRI contributes to the realization of the sustainable development of society.

The Sampo Japan Group is currently marketing two open SRI funds: the Sampo Japan Green Open fund ("Buna no Mori" in Japanese, or "Beech Forest"), and the Sampo Japan SRI Open fund ("Mirai no Chikara" in Japanese, or "Empowering Our Common Future").

* Materiality, originally an accounting term, refers to factors that have an important effect on a company's financial affairs. In recent years, CSR activities have come to have a major effect on corporate value and the behavior of stakeholders.

Eco-fund "Beech Forest"

● Our responsibility as a financial institution

The eco-fund "Beech Forest" is an investment trust product that invests in companies that give due consideration to the

environment in the course of their business activities. The fund was launched in September 1999 by Sampo Japan Asset Management. The fund's net assets amounted to 23.5 billion yen as of May 31, 2007. Recently, it has been increasingly employed in the product lineup for corporate defined contribution pension plans.

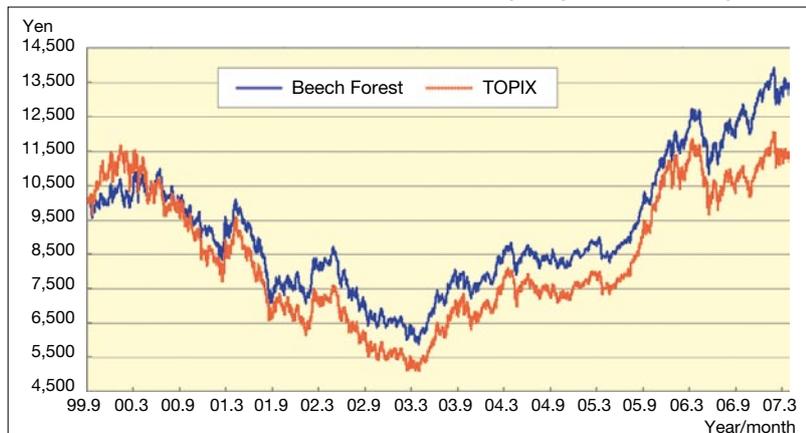
The fund's performance has been consistently firm and steady, outperforming the Tokyo Stock Price Index (TOPIX) by 20.25% (as of May 31, 2007) since it was launched. Moreover, in April 2007 the fund won the outstanding fund award in the defined contribution pension/domestic stocks category in the R&I Fund Award 2007, which is presented by Rating and Investment Information, Inc., (R&I) in recognition of funds that have shown outstanding investment performance.

Sampo Japan Group has developed and is promoting other eco-funds besides the Beech Forest fund, including private placement investment funds for pensions (established June 2006) and qualified institutional buyers (established February 2007). With investor concern for the environment rising steadily, Sampo Japan Group will continue to promote the Beech Forest eco-fund and develop new eco-funds.

● Supplying investors and corporations with environmental information

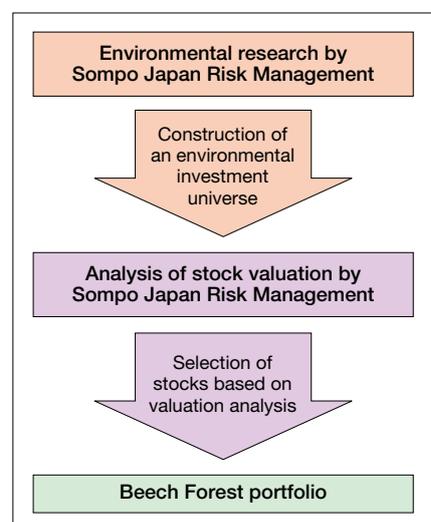
Sampo Japan Group emphasizes environmental communication in its Beech Forest eco-fund in order to expand the number of investors who are sympathetic to the eco-fund concept. Our weekly and monthly reports cover the progressive environmental initiatives of companies incorporated in the fund. We also publish the quarterly Beech Forest Newsletter, which carries the latest information concerning the environment. In addition, we conduct a questionnaire survey to analyze the degree of environmental management and provide the responding companies with the aggregate survey results, an assessment of the relative level of each company's efforts within their industry by survey item, and other analytical data that can be useful when promoting environmental management.

▼ Performance of the Beech Forest eco-fund (compared to TOPIX)



- The figure uses the constant value with pretax dividends reinvested.
- The constant value with pretax dividends reinvested is calculated by a trust management company as the value obtained when reinvesting the pretax dividends at the constant value of the settlement date.
- The trust fee (1.575% of total net assets (incl. tax)) is deducted when calculating the constant value.
- The benchmark (TOPIX (not incl. dividends)) is indexed by a trust management company as 10,000 on the date of inception.

▼ Portfolio construction process for the Beech Forest eco-fund



SRI Fund “Empowering Our Common Future”

This SRI fund was launched in March 2005 to invest in companies selected by Sompo Japan Asset Management based on an analysis of intrinsic investment values of share prices from among companies included in the Morningstar Socially Responsible Investment Index. As of the end of May 2007, the constant value of this fund has outperformed the Tokyo Stock Price Index (TOPIX) by 6.87% over the two years since its launch. The Center for Public Resources Development (CPRD), a Tokyo-based nonprofit organization, makes a comprehensive CSR evaluation of companies for this fund, covering corporate governance and accountability, market, employment, social contribution, and the environment. Moreover, the prospectus and posters for this fund were the first to be printed by a financial institution in Japan on paper made using thinned Japanese wood.

URL Sompo Japan Asset Management
<http://www.sjam.co.jp/>

Financing environmental initiatives and social capital improvement

Sompo Japan is making an effort to help build a better society through the financing of companies whose businesses contribute to efforts to address environmental problems and the improvement of social capital. In the financing of environmental businesses, we participated for the first time in project finance for a wind power generation company in March 2007.

In the area of social capital improvement, Sompo Japan has accumulated a large financing record in multiple areas since it participated in the joint financing of the Project for the Construction, Maintenance, and Operation of Chowa Elementary School in Chofu City, the first time a non-life insurance company in Japan participated in a PFI* project.

Demand for finance is anticipated to increase in the future in the area of social capital improvement, including PFI, and for environmental businesses such as recycling, wind power generation, and biomass power generation. Sompo Japan will continue to actively finance these projects.

* PFI: Private Finance Initiative. A means of constructing, maintaining, and operating public facilities using private sector funds and know-how. PFI aims to provide higher quality public services at a lower project cost for the national and local governments.

Helping provide security to an aging society through the defined contribution business

The public in Japan is very anxious about whether or not a sufficient pension will be forthcoming in the future, since the financial circumstances of the country's public pension system are being strained due to the dwindling birth rate and aging population. Companies too are struggling to secure adequate retirement benefits for their employees in the face of excessively low interest rates.

Under such circumstances, in 2001 Japan introduced a defined contribution (DC) pension system* with the purpose of supporting the securing of money to live on in one's old age through the independent efforts of citizens. Now, as a

result of reconsideration of retirement benefits and the pension system by companies, the number of companies adopting the DC pension system is steadily increasing. Thanks to the system's tax benefits, the number of individuals joining the DC pension system is also increasing gradually.

With Sompo Japan DC Securities at the nucleus, the Sompo Japan Group is putting emphasis on the defined contribution business. We are working to improve customer service through enhancement of investment education and the provision of comprehensive services to companies from plan adoption support to operation and management.

* Defined contribution pension system: A system (described as the Japanese version of a 401k plan in the United States) with preferential tax treatment in which companies or individuals manage contributions under their own responsibility and receive benefits in old age based on the results of that management.

URL Sompo Japan DC Securities Inc.
<http://www.sjdc.co.jp/>

Notes regarding “Beech Forest” and “Emerging Our Common Future” funds

- Required fees for these funds
 - Application fee: Maximum amount is 3.15% (3% excluding tax) of constant value.
- Direct fees
 - Trust asset cancellation fee: It will be 0.3% of constant value at the date when he or she applies for cashing in (when cancelled).
- Indirect fees incurred while holding the trust asset
 - Trust fee: Yearly 1.575% (1.5% excluding tax) of the total trust fund value
- Please see the prospectus of each commodity for more details

Major risks and points to be noted

As our fund implements investments to securities whose market values fluctuate, the investments entail the following variety of risks. Therefore, these funds do not guarantee their principals. Risks include the possibility of losing funds through investments or not earning expected profits. Risks that negatively impact the basic price of funds are as follows:

1. Risks when choosing specific securities

Our fund seeks profits by choosing specific corporate stocks. Consequently, there might be fluctuations that are different from the benchmark, TOPIX (Tokyo Stock Exchange Stock Price Index). Although our choice of specific stocks might be a substantial revenue source, our operation results might end up being lower than the benchmark.

2. Risks of investing in corporate stocks

Our fund holds stocks we purchase. The price of these stocks may at times fluctuate beyond our expectations. Basically, investing in corporate stocks involves larger returns on a long-term basis but entails high variations in price on a short-term basis. Therefore, it should be noted that investing in corporate stocks entails “variance in price”, “liquidity risk” and “credit risk who issues stocks”.

“Variance in price”

This signifies the possibility of portfolio reevaluations of our funds due to fluctuations in stock prices. Our fund has a larger price variance compared to a fund that primarily conducts investments in corporate bonds.

“Liquidity risk”

Any funds failing to sell securities at the most appropriate time leads to a loss or a lost opportunity to turn a profit by selling it.

Our funds may at times purchase small- or med-sized corporate stocks that are part of a portfolio. These stocks usually lack liquidity compared to large-scale stocks. In addition, these stocks usually show higher variation in price compared to large-scale stocks. Various market risks may also impact “variance in price” and “liquidity risks”.

“Credit risk who issues stocks”

This signifies a devaluation of stocks and a decrease in dividend disbursement amounts and frequency in the event that the business performance and financial position of the company issuing corporate stocks will be negatively affected.

On one hand, market liquidity may influence stock values. On the other hand, the position of the stock issuer may have a greater influence on market liquidity, just as the position of market influences market liquidity. Other factors, such as types of securities, reactions to political and economical conditions, taxation and trends toward market restrictions on stock dealings are included in market risks.

Outline of the investment trust sales company

Trade name: Sompo Japan Insurance Inc.

Registered as a finance institution at Kanto District Finance Director: No. 142
Association belonging to: Japan Securities Dealers Association

Reducing losses and damage, boosting business efficiency

● A web-based customer service for loss prevention

With the globalization and decentralization of corporations and diversification of their logistics networks, it is not only quick responses and payment of insurance money after accidents that are important. Today it is also important for insurance companies to offer integrated services that help boost client efficiency and streamline corporate procedures in response to losses and damage, and to offer support to reduce the frequency of accidents and prevent their recurrence.

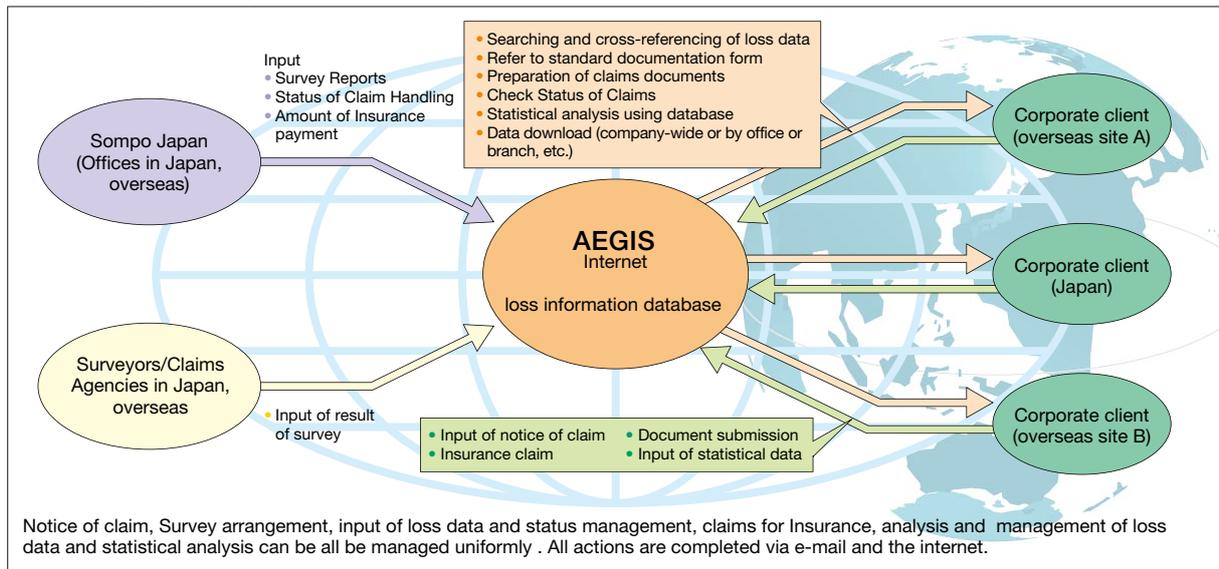
Sompo Japan started in April 2003 to offer a real-time web-based accident loss management service to corporate customers around the world that allows clients to obtain information about the occurrence of accidents, to manage the processing of claims, and to analyze the causes of losses and damage, etc. As of March 2007, about 180 corporate

clients were making use of our AEGIS and AE-BOARD systems and other system services.

These systems bring together in one place Internet-based access to many services, including support in reporting an accident and preparing documentation, determining the current status of a claim, and identifying missing documentation, etc. Besides boosting the efficiency of customers' administrative procedures, by analyzing a database of past accidents from various perspectives, this system can also help to identify trends and causes of losses or damage, and can play a role in preventing future damage and losses.

For example, when a transportation logistics business uses the system, Sompo Japan can share information about the most common locations of accidents and kinds of losses, and what causes damage, and to consider how to make improvements. This is all accomplished through multi-dimensional analysis of detailed data accumulated over time on various criteria, such as the locations and transport routes involved in accidents, modes of transport, types of packing, and location and condition of damage, etc.

▼ Risk Management system AEGIS



Supporting enterprise risk management

● Enhanced development of ERM offerings

The Companies Act went into effect on May 1, 2006 and the Financial Instruments and Exchange Act (known as the Japanese SOX Law) was revised in 2006. These laws require companies to develop internal control systems, bringing new attention to enterprise risk management (ERM). As a method for conducting integrated management of all events that could hinder or disturb business operations, ERM covers not only accident and disaster risk but managerial risk, financial risk, operational risk, and all other risks as well.

Sompo Japan Risk Management (SJRM) has been supporting ERM through support consulting for risk management system establishment. In April 2007, SJRM set up an ERM Research and Development Department, increased the personnel studying solutions like risk finance and others, and enhanced its ERM research and development of support offerings.

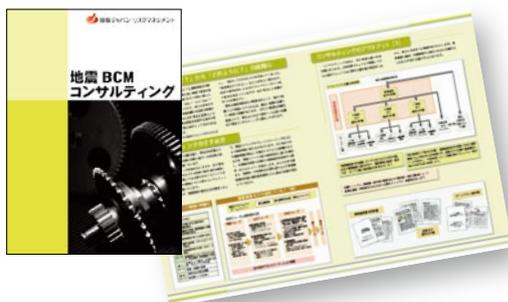
SJRM also increased the number of consultants in its Risk Management System Office. The name was then changed to the ERM Division, and is now in charge of consulting that supports risk identification, loss quantification, and the prioritization of target risks.

SJRM has organized a system to provide services related to managerial, financial, and other risks through partnerships with specialized consulting companies. Appropriate countermeasures need to be taken for identified risks. For instance, business continuity management (BCM) is a measure against the risk of business interruption.

URL Sompo Japan Risk Management
<http://www.sjrm.co.jp/>

● BCM: Business continuity management consulting

Companies nowadays are always exposed to the risk of encountering earthquakes, typhoons, and other natural



disasters, information systems failures, recalls, terrorism, and other events and accidents that could destabilize their operating foundations.

The establishment of a framework that facilitates rapid decision-making by managers and the development of a crisis management system including ex-ante and ex-post recovery responses are critical for avoiding these kinds of corporate risks as much as possible and minimizing their effects. For example, companies need to think and prepare beforehand how to continue important operations even when an earthquake, fire, or other disaster has occurred or how to return operations that have stopped to a condition close to the pre-disaster state within the target recovery period. Specifically, first one identifies prioritized business and determines a target time for recovery. Next, one anticipates damage to the identified prioritized business and identifies factors that could delay the target recovery period. Then one considers a recovery process and formulates a business continuity plan, taking into account how to secure raw materials and the supply chain for parts, alternate production, how to secure distribution routes, and other countermeasures to the delaying factors. Making use of lessons learned during previous disasters and the knowledge and know-how of experts is effective when anticipating damage to prioritized business.

SJRM utilizes the risk quantification know-how it has cultivated over many years in the insurance business to offer BCM consulting services.

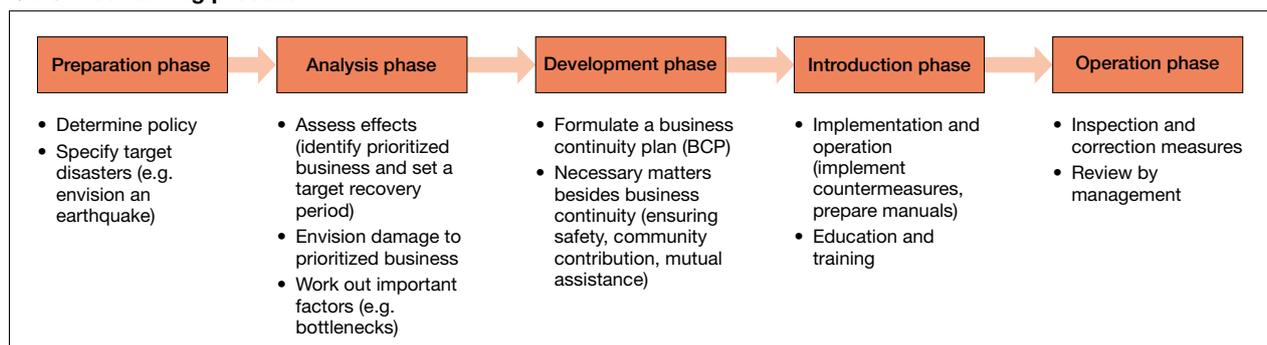
● Overseas crisis management & BCM consulting

Train bombings and terrorist bombings of facilities with large numbers of people have occurred frequently in various places. Besides terrorism, there are many risks that can have major effects on business activity, including the spread of emerging diseases such as new influenza strains, civil strife and public disturbances arising from ethnic and religious problems, and large-scale natural disasters such as Hurricane Katrina and the Sumatra Earthquake and Tsunami.

In light of the reality of such risks, safety management of executives and employees at overseas business sites and the preparedness against major accidents, events, and disasters that could suspend operations has become increasingly important.

In September 2006, SJRM officially started to provide overseas crisis management and BCM consulting as a comprehensive service supporting the risk countermeasures of companies operating overseas.

▼ BCM consulting process



Aiming to eliminate automobile accidents

● Development and provision of services to prevent automobile accidents

According to estimates by the General Insurance Association of Japan, the total annual cost of injuries and property damage due to traffic accidents reached approximately 3.4 trillion yen in fiscal 2004. In addition, industrial waste and traffic congestion arising from accidents have an enormous impact on the environment. Sompo Japan deals with more than 1.8 million accident claims a year (counting both injury and property damage). The company develops and provides a number of services that utilize accident-related information that we collect and analyze, aiming to overcome this societal problem.

● Provision of automobile accident prevention manual

One such service is the provision of the Safety Driving Management (SDM) accident prevention manual for our corporate customers. This manual clearly explains that traffic safety efforts are part of CSR activities and an activity directly related to core business that should be given priority.

Our employees and insurance agencies use this manual to encourage our corporate customers to join us in working on traffic safety.

● Automobile accident reduction professionals

Sompo Japan has 27 traffic safety consultants—automobile accident reduction professionals who support the automobile accident prevention activities of our corporate customers nationwide. Utilizing a wealth of know-how and various approaches, we develop traffic safety education plans and accident reduction and prevention measures that fit the circumstances of each company. We also hold nearly 1,200 traffic safety workshops attended by a total of approximately 50,000 people a year.

● Introduction of a traffic safety education bus: The Safety Vision Bus

In October 2006, Sompo Japan was the first in its industry to introduce the Safety Vision Bus, a new traffic safety education bus equipped with a system for diagnosing vision performance. We dispatch the bus to corporate customers for a fee. The large touchscreen plasma display and 3-D imaging system installed in the small bus can be used to diagnose visual performance, which is important for traffic safety, in a fun way as though it were a game. We will aggressively continue to help many traffic participants raise traffic safety awareness with the aim of reducing automobile accidents.

Accident prevention support over the web

● Accident prevention support service: Accident Prevention Club

In October 2005 Sompo Japan started the Accident Prevention Club, a web-based accident prevention support service. The service, provided to Sompo Japan's automobile insurance customers free of charge, has a collection of material useful for promoting accident prevention activities, including RM Diagnosis 25 for diagnosing the automobile accident prevention system of companies, WEB Diagnosis on Hazard Anticipation for checking drivers' safety knowledge and hazard anticipation skills in different situations, and Monthly Report for introducing the latest topics related to traffic safety.

URL **Accident Prevention Club**
<https://eb01.sompo-japan.co.jp/xev/>

● Advice for Safety and Security

The Advice for Safety and Security section of Sompo Japan's homepage carries a Traffic Accident Blackspot Map that shows specific locations where people need to be more careful while driving or walking. This is based on accident related data that we have accumulated. The homepage also carries a section where users can assess their driving aptitude and ability to anticipate hazards.

URL **Advice for Safety and Security**
<http://www.sompo-japan.co.jp/knowledge/advice/>

● Compulsory automobile liability insurance internet contract service

On October 31, 2006, Sompo Japan started i-JIBAI, an

internet-based contract service for compulsory automobile liability insurance for motorcycles (motorized bicycles and two-wheeled automobiles not subject to inspection). i-JIBAI allows customers to take care of insurance procedures 24 hours a day, including weekends and holidays, through an online application and credit card payment. We encourage people to take out compulsory automobile liability by the introduction of this easier contract procedure, and thereby reduce the number of uninsured motorcycles, which will enable the redress of traffic accident victims.

● Expanded compensation for protecting children from crime

With crime against students and young children rapidly increasing recently, demands have come to be placed on schools to more thoroughly manage safety. Sompo Japan has been requested by many people to develop insurance that compensates schools for the expenses incurred in responding to crimes against children on their way between school and home.

In May 2006, Sompo Japan revised its school general liability insurance and added a new clause covering expenses incurred to protect children from crime. This clause enables compensation in cases where a major crime such as the murder or kidnapping of a student or young child has occurred or when the intention to do so has been written on internet bulletin boards or other locations. The compensation covers expenses incurred for the stationing of guards, the purchase of burglar alarms, and other measures to prevent crime against students and young children from occurring.

Establishment of the Sampo Japan Health Care Services

● The need for mental health care measures

Stress felt by workers due to various work environment problems has been on the rise in recent years. It is said that over 60% of workers feel intense anxiety and stress related to work.*1 The 470,000 workers on leave because of emotional problems are estimated to cost 1 trillion yen per year on a wage basis.*2

In this way, dealing with mental health care is an urgent task for corporations and has become an important subject that should be addressed by society as a whole. In April 2006, the Industrial Safety and Health Law was revised, making corporate mental health care measures mandatory.

Amid this social context and heightening corporate needs, on April 2, 2007 Sampo Japan established Sampo Japan Healthcare Services, Inc., (SJHS) with the aim of comprehensively supporting corporate mental health care measures. SJHS provides complete services for corporate industrial hygiene in addition to support services for individual employees.

★1 Ministry of Health, Labour and Welfare: "Survey of the Health Status of Workers," 2002.

★2 Health and Labour Sciences Research Grants (Research Project on Occupational Safety and Health). "Research on the return to work of workers with emotional health problems including depression and support measures for workplace adjustment" Research Report for Fiscal 2002-2004.

● Total support for mental health management as an insurance company

The problem of appropriate health care measures not being taken at workplaces that need them because of a shortage of human resources with specialized knowledge and a lack of cooperation between industrial physicians and psychiatrists is not uncommon. SJHS's highly professional medical staff provide effective support for people with mental insecurity in cooperation with corporate customers' industrial

physicians. Support includes the planning and operation of training sessions, provision of tools to strengthen mental toughness (stress tolerance), and organizational stress diagnosis.

In addition, Sampo Japan provides full support for its customer's health management policies by also offering insurance products such as group long-term disability insurance,*3 which covers income decreases due to mental disorders such as depression.

SJHS is determined to contribute to the creation of an energetic society through the realization of "health companies" that invigorate their entire organizations, improve productivity, and boost corporate value as a result of all employees improving their emotional health, gaining a sense of fulfillment, and working with enthusiasm.

★3 Group long-term disability insurance provides long-term coverage for loss of income as a result of accident and sickness. It collectively covers all members of an organization such as a company or union that is the policyholder.

 **Sampo Japan Healthcare Services (SJHS)**
<http://www.sj-healthcare.com/>

● Supporting healthy minds and bodies

In the healthcare field Sampo Japan, Omron Healthcare, Inc., and NTT Data Corporation jointly established a venture company named Healthcare Frontier Japan Inc. in October 2005. The company provides health promotion and disease prevention services focusing on metabolic syndrome. With the establishment of SJHS, Sampo Japan has developed a framework for providing support covering both healthy minds and bodies.

 **Healthcare Frontier Japan Inc.**
<http://www.hfj.co.jp/>

Healthcare related surveys and research

● Providing disease management information to society

Sampo Japan Research Institute Inc., a think tank for the Sampo Japan Group, conducts research relating to trends in the healthcare market in and outside Japan and to disease management.*4

The Institute acts as the secretariat for the Disease Management Policy Challenges Study Group and the Disease Management Program Quality Assurance Study Group, which, under the sponsorship of the Sampo Japan Foundation, invite domestic and foreign specialists conducting cutting edge research to participate in their activities. The Institute also makes information broadly

available to society by, for example, publishing the Disease Management Reporter, a magazine that introduces examples of disease management efforts in Japan. The findings and know-how gathered through the Institute's research is put to use in the development of the Sampo Japan Group's healthcare business.

★4 The aim of disease management is to provide high quality health care at low cost by offering specific methodologies to treat various diseases. It is targeted for patients with chronic illnesses such as diabetes, and relevant medical professionals.

 **Sampo Japan Research Institute Inc.**
<http://www.sj-ri.co.jp/>

2

For Shareholders and Investors

The advance of globalization, financial liberalization, enforcement of the Companies Act, and other such factors are backing the growing expectations and demands of shareholders and investors in the corporate strategies and business activities of private companies. Sompo Japan intends to strengthen its corporate organization, improve its business quality, and raise its corporate value by steadily putting its new midterm business plan into practice. It will also make an effort to improve management transparency and information disclosure by pushing IR activities forward aggressively.

Development of a midterm business plan

● The Sompo Japan Regeneration Plan

In fiscal 2006, the first year of our new midterm business plan for fiscal 2006 to 2008 (the "Sompo Japan Regeneration Plan"), we strengthened our corporate organization and improved our business quality by committing ourselves totally to improving the effectiveness of corporate governance, risk management, and compliance and to developing systems and creating an environment in which employees can work enthusiastically. We aim to expand both the top line and the bottom line of our business scale and earning power through the non-life and life insurance businesses and the defined contribution (DC) business by aggressively investing management resources, especially in Japan's retail market.

Communication with shareholders and investors

● Enhancing shareholder returns

Our policy regarding shareholder returns is to steadily increase the actual amounts of dividends paid out. We aim to increase the ratio of dividends on equity (DOE) to 2% in the medium and long term. Based on this policy, share dividends rose to 16 yen per share for the fiscal year ending March 2007, an increase of three yen over the previous year. Sompo Japan will continue to enhance shareholder returns while working to increase shareholder value.

● Strengthening IR activities

Sompo Japan has actively promoted communication with shareholders and investors since establishing the IR Office in 1999. The company holds over 200 meetings in and outside Japan each year, including two informational meetings (interim financial results and full year results). So that the informational meetings do not end with just a report of business result figures, top management uses this valuable opportunity for two-way communication and explains Sompo Japan's business strategies themselves.

We are proactively expanding IR activities for non-Japanese investors. The percentage of non-Japanese holders of Sompo Japan stock at the end of fiscal 2006 was approximately 40%. During fiscal 2006, we held five IR meetings in the West and Asia and nearly 50 meetings in Japan for non-Japanese investors.



● **Enhanced IR homepage**

Sompo Japan set up an IR homepage to promptly communicate accurate information regarding the company's business results, financial situation, and stock price. We operate the site based on the concept of "clarity for individual investors and usability for institutional investors and analysts." Sompo Japan is the only non-life insurance company to be selected seven years running for the Internet IR Best Company Award presented by Daiwa Investor Relations Co., Ltd.

Our focus is not only on Japan. We are also working to enhance our English homepage in order to disclose information in a timely and appropriate manner for overseas readers.

Webpage for investors and shareholders
URL <http://www.sompo-japan.co.jp/ir/> (Japanese)
<http://www.sompo-japan.co.jp/english/ir/> (English)

● **SRI Indices**

Socially responsible investment (SRI) is a type of investment that takes into account not only corporate financial performance but also performance on environmental and social criteria. SRI has been playing a growing role in global financial markets. For seven consecutive years, Sompo Japan has been the only Japanese insurance company included in the Dow Jones Sustainability Index (DJSI), the world's largest SRI index, which was jointly developed by SAM Group Holding AG (Switzerland) and Dow Jones Inc. (U.S.). Sompo Japan is also listed in the FTSE4Good Index in the U.K., the Ethibel Sustainability Index (ESI) in Belgium, and Morningstar Socially Responsible Investment Index (MS-SRI) in Japan. (As of March 31, 2007)



3

For Our Employees

Each and every employee working at Sompo Japan is a driving force for the promotion of CSR and the practice of a customer-first policy. Accordingly, we are working to establish various systems and create a culture in which all employees can work enthusiastically while having a solid sense of their own growth and in which employees can achieve self-fulfillment while valuing work-life balance in an environment where employee diversity is respected.



A work environment that makes the most of our employees' potential and diversity

● Ensuring workplace diversity

We have adopted a multi-track personnel system to make the most of our employees' diverse career priorities and values, and ensure effective human resource management. As of July 2007, there were 12 women at the core managerial level and above. About 270 women were at the deputy-manager level (as defined by the Japanese government's Work-Life Balance Guidelines). In order to increase the number of women in managerial positions, we are planning to introduce positive action as part of our personnel system reforms, such as systematic trainings tailored to empower female employees. We are also striving to promote the hiring and retaining of persons with disabilities by appointing recruitment liaison officers throughout the country, advertising openings in public job centers and newspapers, and making our workplaces "barrier-free." As a result of these efforts, we employed 226 persons with disabilities as of May 1, 2007. While this puts us below the government-prescribed work force ratio of 1.8% employees with disabilities, we are making efforts to systematically expand our employment of persons with disabilities with the goal of achieving the legally mandated ratio as soon as possible.

● Ensuring good labor relations

Sompo Japan has never laid off an employee, and does not sanction any differentiation in remuneration according to gender or any other personal status, at any level. We thoroughly implement a policy of equal pay for equal work. We enjoy excellent labor relations with our employees, based on an agreement with the Sompo Japan Insurance Workers Union, to which 12,600 of our employees belong. The company and the union hold regular labor-management meetings, while each regional headquarters of the company and local chapter of the union also work to strengthen collaboration and tackle local issues

Message from Sompo Japan Insurance Workers Union

Following the receipt of the 2006 administrative order, the Workers Union thinks that the awareness of union members that they are the ones who bear responsibility for the regeneration of Sompo Japan and their proactive efforts will lead to the realization of job satisfaction for each member. Accordingly, we have continued to communicate the importance of this way of thinking with the phrase, "Workplace and company change comes about through individual change." We have proactively given our opinions and suggestions to the company with a view toward the regeneration and sustainable growth of Sompo Japan.

In July 2006, we took an opinion survey of union members on five topics—1. strategy and culture, 2. management, 3. communication, 4. motivation, and 5. work environment—in order to organize the union's suggestions to be made in discussions with the company with a view toward regeneration. We analyzed the issues based on the survey results and prepared a pamphlet of union suggestions.

We will continue to listen carefully to the opinions of union members nationwide and make suggestions to the company with a view toward the sound development of the company and the creation of job satisfaction for union members.

Next Generation Law acknowledgment

On May 15, 2007, Sompo Japan received acknowledgment from the Director-General of the Tokyo Labor Bureau as a company that is working aggressively on support measures for the development of the next generation based on the Law for Measures to Support the Development of the Next Generation (the Next Generation Law). This acknowledgment is based on our establishment of an action plan incorporating the taking of more than a specified level of childcare leave for men and women and child support measures and the achievement of the plan's goals within two years during the period of the action plan, which started in 2005. We will continue making efforts to develop better working conditions that meet the diverse needs of employees.

Respect for human dignity

Taking inspiration from the Universal Declaration of Human Rights and guided by Japan's Law on Promotion of Human Rights Education and Awareness-raising (enacted in 2000), and the Basic Plan for its implementation, Sampo Japan established its own Human Esteem Promotion Headquarters in 2002. Its purpose is to promote a corporate culture that respects human rights, a discrimination-free environment, equal opportunity, and healthy work-life-balance. Sampo Japan also became a signatory of the UN Global Compact in January 2006 and strongly supports its ten principles. Our operations comply at all times with national laws and regulations while also respecting human rights as prescribed in various international instruments on human rights. There are no current cases involving any violation of employee rights.

Basic Code of Conduct on Human Rights (tentative translation)

- No employee shall act in any way that discriminates based on social status, birth, race, gender, political views, or opinion, in any aspect of duties.
- All employees strive to cultivate a spirit of respect for human rights and contribute to the realization of a society that respects the human rights of each and every person.
- All employees understand that every person is born free and equal in dignity and rights. They are also aware of human rights issues and the importance of diversity and equal opportunity, and act towards one another with a spirit of humanity.

Four themes on respect for human dignity: Fiscal 2006 achievements, 2007 targets

Respect for human rights

We have thoroughly implemented a basic code of conduct on human rights and continuously conduct human rights education for all employees in order to create a work environment rich in mutual understanding and in which the diversity of all employees is respected.

Achievements:

- Reviewed internal operations and internal documentation from the perspective of protection of personal information and other aspects of human rights.
- As a familiar contact point on human rights related matters, the Human Rights Hotline consulted the matters and aimed to improve situations, paying attention to privacy protection.
- Incorporated moral harassment (bullying) issues into mandatory intranet-based awareness tests on compliance issues in an effort to increase understanding of human rights.

Targets:

During FY2007 we will combine our conventional CSR literacy training and human rights training sessions and implement a comprehensive training program on human rights, society, and the environment at all Sampo Japan Group business sites.

Health promotion

We have been operating a Health Development Center that provides medical examinations and care, full post-examination follow-up, and a comprehensive range of health workshops in our headquarters building to support health management and health promotion of employees. We also assign an industrial physician or health officer to each of our regional headquarters to provide detailed health consultations and health management instruction services.

Achievements:

- Provided a new weight loss workshop as an anti-obesity measure for employees and worked on the Personal Health Map of the Health Master Lifestyle Habit Improvement Program.
- Consultation rate

| | FY2004 | FY2005 | FY2006 |
|--|--------|--------|--------|
| Checkups | 98.6% | 98.2% | 97.8% |
| Lifestyle-related diseases preventive examinations | 98.5% | 98.2% | 98.2% |

Targets:

During FY2007 we will further enhance our health management system. In particular, we will reform workshop contents for the middle management in order to enhance mental health support for all employees. We will encourage both physical and mental health maintenance and promotion.

Time Management

By promoting time management, we try to ensure that our employees enjoy job satisfaction with work-life balance and that they promote their physical and mental health, so that we improve the quality of human resources and develop energetic employees and organizations.

Achievements:

- Introduced a time management system to raise employees' awareness of time management by accurately understanding their working hours in order to realize proper control of working hours.

Targets:

We will promote the taking of holidays and time off as an effort common to all employees. We will prepare a tool for planning and managing the taking of time off and plan to provide feedback on the status of time off taken.

Advancement of Equal Opportunities for Women

We support three areas of activity to ensure gender equality at work: work-life balance, career development, and awareness-raising of all employees.

Achievements:

- Reflecting the opinions of female employees, a new system was introduced and several systems revised to support better work-life balance for our employees.
- Implemented a variety of positive actions.

Targets:

Among the three activities, we will put emphasis on awareness-raising of employees and career development. In particular, we will expand initiatives from activities that focused on women to activities that include all employees of both sexes with the aim of incorporating diverse values and creating empowering workplaces.

Promoting equal opportunity at work

● Catering to diverse life and work styles for all

Sompo Japan was the first financial institution in Japan to establish a special section, the Gender Equality Promotion Group, in April 2003 in order to promote the advancement of women and equal opportunity in the workplace.

● Company-wide Women's Committee

In fiscal 2002, Sompo Japan established the Human Esteem Promotion Headquarters and formed the Metropolitan Women's Committee, an organization consisting of members from different departments and occupations around the Tokyo Metropolitan area, in order to advance equal opportunities for women. Through these forums, we have identified our awareness of the issues faced by working women and have promoted the development of solutions.

In 2003, a Company-wide Women's Committee was established to spread gender equality activities nationwide and has brought together opinions from all regions around Japan. Specifically, the committee conducts PR for activities at branches and offices, plans and runs conferences and workshops, and provides information for in-house newsletters. As of fiscal 2006 year-end, membership grew to a total of 420 (including male employees).

The Company-wide Women's Committee Conference, at which members gather from all branches and offices, is a valuable opportunity for internal networking at which examples of the previous year's initiatives from around the country are introduced and speeches given by outside career models. In addition, regional women's committees hold independent seminars and meetings and enthusiastically develop activities nationwide.

● Launch of the Diversity Committee

In February 2007, the Metropolitan Women's Committee was re-launched as the Diversity Committee and initiatives started with the purpose of creating workplaces that

accepted the diverse values of each employee regardless of gender. Looking ahead, we want to realize workplaces that are full of energy, workplaces in which employees can work with enthusiasm, by proposing measures that lead to the improvement of work-life balance for all employees, not just female employees.

Work-life balance programs

Based on proposals from the Women's Committee and Sompo Japan Insurance Workers Union, we have enhanced our work-life balance programs to make them easier to use, and the number of employees taking advantage of them has consequently doubled over the past two years.

- ★ Rehiring system (revised April 2006)
A system for rehiring former employees under certain conditions, taking their previous experience with the company into consideration.
- ★ Career transfer system (launched April 2006)
A system for transferring employees who work in general positions to other Sompo Japan offices or branches for personal reasons, such as to deal with job transfers of their spouses. (Employees in general positions are normally not eligible to be transferred when they require a change of residence for personal reasons.) In the first year since it was launched, 31 people have made use of this system.
- ★ Sompo Japan Community Network (launched July 2005)
A human resource registration system developed to make use of the experience of retired employees to provide relief for employees using our work-life balance programs. Currently about 5,000 former employees are registered.

Employee welfare programs

- ★ Company support in times of need
Special accident and casualty insurance, group life insurance, condolence payments, etc.
- ★ Mutual aid welfare program (Sompo Japan Kyosaikai)
Provides home purchase support, loan servicing, condolence and other special contingency payments.

Employees-related figures (fiscal 2006 data, unless otherwise indicated)

Number of employees (as of March 31, 2007)

| | Male | Female | Total |
|---------------------------------|-------|--------|--------|
| Executive officers and auditors | 42 | 0 | 42 |
| Employees | 5,811 | 6,609 | 12,420 |
| (Core positions) | 5,284 | 161 | 5,445 |
| (General positions) | 2 | 6,448 | 6,450 |
| (Others) | 525 | 0 | 525 |
| Contracted employees | 2,021 | 179 | 2,200 |
| Trainees | 182 | 77 | 259 |
| Total | 8,056 | 6,865 | 14,921 |

Employment data (as of March 31, 2005)

| | |
|--------------------------------------|----------------|
| Average age | 39.3 years |
| Average length of employment (years) | 10.9 years |
| Average annual salary | 7,369,276 yen |
| Workers union membership | 12,600 persons |

Employees with disabilities



Recruitment

| | FY2004 | FY2005 | FY2006 |
|-----------------------------------|--------|--------|--------|
| New hires | 1,020 | 1,113 | 1,433 |
| (new graduates) | 635 | 753 | 959 |
| (persons in mid-career) | 385 | 360 | 474 |
| Reemployment for general position | 7 | 14 | 17 |
| Interns accepted | 56 | 87 | 64 |

- ★ Promotion of physical and mental health
Corporate health insurance system, provision of recreation and sports facilities, strict enforcement of company no-smoking rules.
- ★ Company housing
- ★ Asset development
- ★ Employee stock ownership plan, asset-building savings plan
- ★ Measures to prevent occupational accidents
Our awareness program for road accident prevention and other initiatives have resulted in a decline in the number of road accidents occurring while employees drive company vehicles, the most common type of occupational accident in our company.

Supporting employee development

● In-house professional training

Sompo Japan's philosophy with respect to employee skills development is to encourage employees to take control of their careers, identify their strengths, set work targets, and pursue the career paths of their choice. We encourage employees to take on new challenges, and support their efforts to succeed. Our in-house professional education program, the Sompo Japan Professional College, provides "level-based" training according to age and position, and "field-specific" training to develop skills in specific areas that will contribute to individual career development. During fiscal 2006, trainings were received by 8,200 employees. During fiscal 2007, we will further expand and enhance educational opportunities and bolster the systems that enable all employees to make effective use of them.

● CSR training for new employees (July 2007)

Every year our new employees receive a one-day training on CSR issues. A lecture on CSR principles



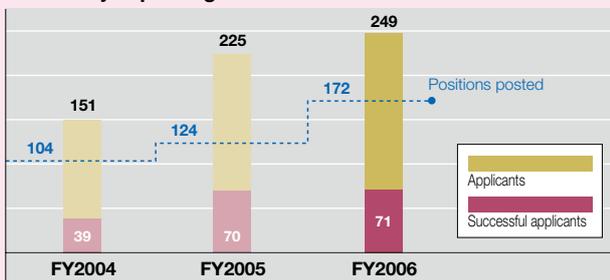
was followed by a CSR Dialog session facilitated by a member of a citizens' group involved in comparative analysis of corporate CSR reports. With the help of a local social welfare council we also held classes using wheelchairs, eye masks, and sign language to give participants an experience of what it is like to have a physical impairment. We invited speakers from several NPOs to give lectures on trends of company's collaboration with NPOs. By encouraging active involvement through trainings such as these, we strive to cultivate employees who can think for themselves, show consideration for others, and fulfill their responsibility to society.



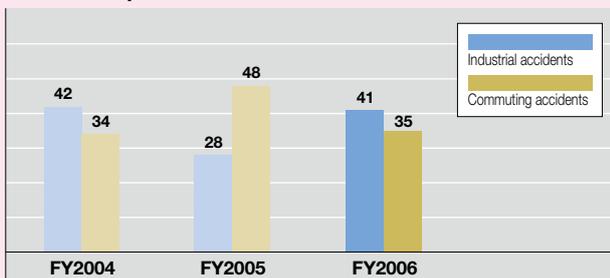
● Career development systems

In April 2005, we launched our Career Challenge Stage program for new university graduates joining the company, to assist in assigning them to departments of their choice, and to enable prospective employees who have been accepted for administrative positions that are not on the management-track to switch to the management track. In December 2002, we introduced our Dream Ticket system, under which employees that meet certain criteria are guaranteed the job placement changes they apply for. So far, 69 employees have earned "dream tickets" to switch to their desired post. We also are expanding our in-house job posting program, designed to promote career and skills development and enhance field-specific expertise. To provide employees in non-management-track administrative positions (which do not require relocation or job transfers) with the opportunity to use this program, we have also introduced a Career Stay program that enables them to work in a position involving a re-location for a set period of time.

In-house job posting



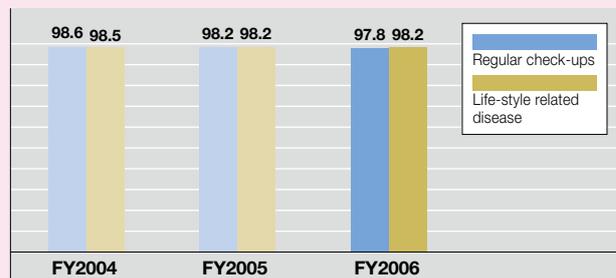
No. of Occupational Accidents Occurred



Care leave taken

| | FY2004 | FY2005 | FY2006 |
|---------------------------------------|--------|--------|--------|
| Family nursing care | 5 | 6 | 9 |
| Childbirth | 121 | 134 | 140 |
| Child care | 97 | 150 | 184 |
| Child care reduced working hrs scheme | 13 | 34 | 69 |

Medical consultation ratio



4

For the Environment

Sompo Japan's environmental initiatives date back to 1992 when the company established a Department of Global Environment, the first specialized environmental department at a financial institution in Japan. Since then, the company has worked to raise the environmental awareness of all employees under the mottos of "full participation," "self-motivation," and "perseverance." Today, with climate change coming to the fore as the world's leading common challenge, Sompo Japan is leveraging its position as a non-life insurance company to conduct environmental activities, including the development of environmentally friendly products and services, participation in international initiatives, and implementation of environmental education.



Fighting against Climate Risks as a Non-life Insurance Company

● Climate risks

Hurricane Katrina, which hit the United States at the end of August 2005, caused tremendous damage. The total amount of claim payments made for the numerous deaths, building collapses, and other damage exceeded approximately \$60 billion. Worldwide economic loss due to natural disasters in 2005 amounted to approximately \$170 billion.

Over the past few years, major disasters caused by big typhoons, heavy rainfall, heat waves, and other abnormal weather have occurred frequently. In some cases the amount of damage has exceeded the GDP of the entire country. The increase of climatic aberrations has become obvious to non-life insurance companies as a major climate risk.

The latest report from the Intergovernmental Panel on Climate Change (IPCC) indicates that the effect of climate change is appearing worldwide and suggests that there is a causal connection between global warming and the frequent occurrence of unusual weather. Unless companies and individuals take appropriate action immediately, climate change will have a serious impact on the ecosystem, food supply, and other foundations of human survival in the future. Climate change is said to be progressing at an accelerating pace, adding weight to the importance of the actions taken by each company.

● Sompo Japan's adaptation and mitigation policies

Two major approaches to climate control are adaptation, or how to deal with the result of the greenhouse gases that have accumulated in the atmosphere due to past emissions, and mitigation, or the reduction of greenhouse gas emissions to restrain future climate change.

It goes without saying that the first corporate social responsibility of non-life insurance companies is to maintain full preparedness for making adequate payments to customers in the event of natural disasters and other serious events, through the accumulation of sufficient liability reserves and spreading risk through reinsurance and other techniques. In addition, however, the non-life insurance companies should utilize their strength such as the analysis, assessment and quantification of risk, and preventive measures, for an adaptation countermeasure, and as such Sompo Japan is developing risk finance techniques that aim to assist developing countries that are particularly vulnerable to the effects of climate change. Sompo Japan also uses its accumulated knowledge of disaster prevention, disaster recovery support for businesses, and reconstruction support for daily life, to help prevent and reduce disasters, and Sompo Japan Risk Management is aggressively developing its BCM (business continuity management) consulting business in and outside of Japan.

While the Kyoto Protocol obligated Japan and other developed countries to reduce their greenhouse gas emissions, further large-scale reductions are needed, and actions toward long term emissions reduction strategies are one of the most important acts of corporate social responsibility. Sompo Japan is putting effort into a variety of mitigation initiatives through CSR financing. We have also put effort into educational activities and environmental communication targeted at individual and institutional investors since launching the Beech Forest eco-fund in 1999. Further, we expect our weather derivatives, which provide compensation in the event of insufficient sunlight hours to companies that have installed solar power generating systems, to promote the adoption of solar power generation. As part of its CSR financing, Sompo Japan will develop financial products to back up the development and popularization of energy-saving and other innovative technologies that companies are working on. Sompo Japan is also a principal member of the Carbon Disclosure Project, an international initiative to promote the disclosure of information on climate change measures through the joint petition of institutional investors and emissions reduction as a credit toward the reduction targets of their own countries.

Basic Philosophy

Sompo Japan acknowledges its corporate social responsibility to promote local and global environmental protection and to support socio-economic systems that are based on environmentally-sound material cycles. We, the entire Sompo Japan Group, will consistently and progressively tackle environmental issues, giving special attention to the concept of “eco-efficiency.”

Guiding Principles**1. Provide New Products and Services**

Sompo Japan strives to research, develop, and provide society with new products and services (relating to insurance, risk management, claims, and financial services, etc.) that will contribute to the solution of environmental problems. All corporate departments and affiliated companies will join in this effort. Sompo Japan will also investigate, analyze, and provide information on broader environmental issues for the benefit of society overall.

2. Promote Resource Conservation

Sompo Japan recognizes the impact it has on the environment through the consumption of resources and energy, and the emission of waste, in the course of conducting business. It will comply with environmental laws and regulations. The entire Group, including management and employees, will work together to promote resource and energy conservation and recycling activities.

3. Contribute to Society

Sompo Japan will actively work on corporate citizenship initiatives relating to the environment, such as nature conservation and environmental education. It will also promote and support the voluntary efforts of individual employees as “global citizens” and as “contributing members of families and communities” for the realization of sustainable society. To enable continuous improvement, the above-mentioned activities will be subject to periodic review, to reflect the current objectives and targets of the Sompo Group.

Group-wide environmental management

Our efforts to address environmental issues were the starting point for all of our current CSR activities. Given the nature of our business, we have always had a keen interest in global environmental issues, and particularly in the rise in serious natural disasters possibly fueled by climate change. Our corporate Department of Global Environment—a first in Japan’s financial services industry—was established in 1992, the year the then-president of Yasuda Fire & Marine Insurance Company, Sompo Japan’s predecessor, attended the “Earth Summit,” an historic UN conference on environment and development. Since then, we have been actively engaged in environmental management while offering awareness-raising opportunities to our stakeholders and developing environment-related financial and insurance products.

We became the first Japanese financial institution to obtain ISO 14001 certification for environmental management systems. Two of Sompo Japan’s buildings have obtained this certification: the Head Office building (Tokyo, in 1999) and the Data Processing Center (Tokyo, in 1997). Later, in fiscal 2006 both buildings received integrated ISO 14001 certification for better efficiency with regard to documentation procedures. Further, Sompo Japan’s environmental management system is upheld by the Sompo Japan Environment Principles, introduced in 2002, and the group-wide ECO Committee, chaired by the CEO of Sompo Japan Insurance.

- **EMS activities and the sharing of best practices**

The E-koto Project (“E-koto” is a play on the Japanese

phrase “ii koto,” which means “something good.”) is an original Sompo Japan environmental management system (EMS) designed to do “something good” for both the environment and society. We have introduced this EMS to each of our approximately 350 buildings throughout Japan. Targets are set for each building to reduce resource and energy consumption, and to contribute to environmental and community activities, applying the PDCA (Plan-Do-Check-Action) cycle associated with ISO 14001, in one-year cycles, in accordance with the E-koto manual.

We enhanced the system in fiscal 2005 with the launch of our Action Plan 60, a program designed to further boost EMS performance by having each facility check its progress in 60 specific areas, including the reduction of consumption of electricity, natural gas, gasoline, other forms of energy, water and paper, as well as the promotion of green purchasing, recycling, social contribution activities and so forth. Each item is assessed on an objective scale of 1 to 5, and status is compared with other Sompo facilities three times a year. The company-wide result for the end of fiscal 2005 was an index rating of 70.48, up from 67.32 at the beginning of the fiscal year.

Furthermore, best practices at each facility are reported on the company intranet so that they can be easily shared with other facilities. From 1998, we also held an annual meeting for EMS leaders from around the country to share information and ideas, and raise their awareness of issues and solutions.

Using timber cuttings from forest management in Japan

Around the world, including Japan, countries and regions have been experiencing a rapid increase in natural disasters from heavy rain falls and droughts in recent years, and experts are suggesting a probable connection between this trend and global warming. The property and casualty insurance industry is one of the industries most affected by the increasing severity of natural disasters. To fight against global warming, Sompo Japan is making an effort to use timber from managed Japanese forests, in order to sequester carbon dioxide and other greenhouse gases emitted.

For trees to grow properly in planted forests (which cover much of the country), it is necessary to adjust the tree density to support optimal tree growth, but because of the high costs of forest management in Japan today, it is impossible to recover costs. As a result, uncared-for forests are becoming a serious problem in this country. In planted forests where the trees are

growing too densely, the trees cannot grow strong roots, so they become more vulnerable to wind and snow damage, and the natural resilience of the forest is weakened, leading to landslides and floods. In addition, since sunlight cannot reach the forest floor, the understory is dark even during the daytime, leading to a weakened ecosystem.

By supporting the managed-forest cycle of planting, thinning out the tree density to grow healthy trees, harvesting, and then replanting, it is possible to help grow healthy forests in Japan that absorb carbon dioxide and can also help stimulate the local economy.



Pamphlets made with paper produced using thinned wood.

Environmental Insurance and financial products and service

Automobiles

- Promoting the use of recycled auto parts**

When automobile repairs are made following the customer's claim, we promote the use of recycled parts at service centers (SCs), agencies, and maintenance shops in order to facilitate the use of reusable parts removed from used cars and other recyclable parts. Aiming to step up our activities further, we will continue making efforts to raise the awareness of SC employees through workshops and observation trips to auto salvage and recycling contractors. Further, in cooperation with groups related to auto recycling contractors, we are preparing a system that can be used to search the status of recycled parts inventories.

- Number of Users

| 2003 | 2004 | 2005 | 2006 |
|--------|--------|--------|--------|
| 74,172 | 73,684 | 73,556 | 55,596 |

- Expanded coverage for collision repairs exceeding replacement cost (offered since December 2002)**

This provision provides coverage for collision repair costs exceeding depreciated value in the event of total loss accidents, with the aim of promoting vehicle repair.

- Number of the vehicles covered by the provision (thousand)

| 2003 | 2004 | 2005 | 2006 |
|-------|-------|-------|-------|
| 3,661 | 5,458 | 6,524 | 6,746 |

- AIR e-Shop 21 (offered since January 2002)**

Comprehensive support for environment management system operation by vehicle repair shops and garages through the provision of tools such as environmental checksheets, record sheets and consulting based on ISO 14001 mechanisms, etc.

- Eco-Car Discount (offered since December 1998)**

A discount of 1.5% is given on insurance premiums for low-emission and fuel-efficient vehicles.

- Number of low-emission and fuel-efficient vehicles to which the Eco-C (thousand)

| 2003 | 2004 | 2005 | 2006 |
|-------|-------|-------|-------|
| 2,814 | 3,248 | 4,136 | 4,773 |



Soil and environmental pollution

- Environmental Impairment Service Station Leakage Insurance (offered since November 2003)**

This product provides coverage for damages due to legal liability for a third-party and service station cleanup costs incurred by the operator in the event of discovery of leaks of gasoline or other substances not revealed by the simple survey conducted before obtaining coverage.

- Soil Pollution Insurance (offered since January 2003)**

This product is for covering cleanup costs of soil pollution discovered only after pollution surveys have suggested that no pollution was present.

- Cost Cap Insurance (offered since August 2001)**

We offer insurance for covering cost overruns on projected costs of cleanup operations where contamination is discovered that had not been foreseen or

detected at the time of a soil pollution survey.

- Environmental Impairment Liability Insurance (offered since May 1992)**

This product provides coverage for environmental impairment liability and cleanup costs not covered by standard liability insurance products.

Toxic Wastes

- Medical Waste Emissions Liability Insurance (offered since April 2001) Industrial Waste**

- Emissions Liability Insurance (offered since December 2002)**

These products provide coverage for the cost of waste removal, soil remediation, and liability with respect to health hazards in the event that a waste producer is ordered by governmental authorities to remedy the illegal dumping of its waste by a waste disposal contractor.



Alternative energies

● Promotion of solar power production through the use of weather derivatives (offered since July 2005)

We have worked with home solar power system manufacturers to develop systems with weather compensation attached in the form of a derivative that compensates consumers who have installed a solar power system, in the event of abnormal weather conditions resulting in lower than the normal hours of sunlight. Because this product enables consumers to lessen the impacts of reduced power production due to bad weather, it is expected to help promote sales of home solar power systems.

● Weather derivative for wind power producers (offered since December 2000)

This weather derivative contributes to the stabilization of revenues for wind power producers by paying a predetermined amount to the producer in the event that wind speeds do not meet forecasts.

Notes regarding the Key Risks related to Weather Derivatives

The following risks may be involved in weather derivatives we provide:

- Weather derivatives are financial instruments designed to form part of a risk management strategy to reduce risk associated with defined adverse or unexpected weather conditions. We do not offer weather derivatives where the client's objective is purely speculative.
- Weather derivatives use weather-related indices of factors such as temperature, wind speed, precipitation, snowfall, and length of daylight, which may cause the client decreases in income and/or increase in expenses, based on which we will pay a certain amount according to the results of the index compiled during the observation period.
- Whether we pay or not, as well as the amount of compensation when payable, will be determined by the observation results. The amount of compensation a client receives might sometimes be less than the option premium, and sometimes the client may receive no compensation at all depending upon the results.
- Weather derivatives do not guarantee return of the initial principal. Once the option premium is paid, it will not be refundable.
- Weather derivatives are not savings accounts and a client is not protected by the Deposit Insurance Corporation of Japan.
- Weather derivatives are not insurance products and a client is not protected by the Non-life Insurance Policy-holders Protections Corporation of Japan.
- In the event that Sompo Japan is subject to an Insolvency Event, compensation may not be disbursed for a certain period of time, and the amount of compensation may be reduced.
- Even where a client is introduced to us through an intermediary, the intermediary shall not be authorized to enter into any agreement on behalf of Sompo Japan, nor to receive the option premium. The sole party entering into an agreement with the client shall be Sompo Japan.
- When a client enters into a Weather Derivative Contract with Sompo Japan, other than the option premium paid by the client, the only other fee for which the client shall be liable is bank transfer fee/commission in relation to remittance of the option premium to Sompo Japan's bank account.

Overview of Sompo Japan

Corporate Name: SOMPO JAPAN INSURANCE INC.
Registered Financial Institution of Kanto Local Financial Bureau (Tokin): No. 142
Industry Organization Member: Japan Securities Dealers Association (JSDA)

Fire insurance

● Fire insurance extra environmental costs provision (offered since July 2003)

This special provision provides coverage for extra costs involved in the purchase of eco-friendly products (e.g., products using recycled materials, energy-efficient products, etc.), rooftop greening or soil pollution surveys by holders of policies such as our business owners fire insurance for shops and offices, etc. in the event of fire, explosion and other accidents that result in insurance claim payments.

Financial products and services

● Eco-fund and promotion of SRI

Sompo Japan has been offering eco-fund investment trust products called "Sompo Japan Green Open (Beach Forest)," which invests in companies pursuing environmental initiatives, since September 1999. (For details, see page 10)

● Environmental assessment on investments

When we review new investment and loan proposals, we collect information on the environment-related activities of the enterprises concerned, such as environmental policy and environmental reports. For overseas investments and loans, we have an Agreement on Environmental Assessment with the Japan Bank for International Cooperation (JBIC), and strive to share environmental expertise for co-financing proposals.

Other services

● Golf Players Liability Insurance (offered since December 1992)

Policy holders can select a part of their claim payment to be donated to Greenery by Golfers Group, an organization that has planted more than 1.83 million trees over its 30 years of history.

■ Number of Donors

| 2003 | 2004 | 2005 | 2006 |
|------|------|------|------|
| 118 | 141 | 110 | 129 |

■ Donated Amount

| ¥ million | | | |
|-----------|------|------|------|
| 2003 | 2004 | 2005 | 2006 |
| 2.68 | 3.23 | 2.42 | 2.83 |

Partnerships and Education

Collaborating with global and local networks

● Carbon Disclosure Project

The Carbon Disclosure Project (CDP) is an international effort by the world's leading institutional investors to encourage corporations to undertake climate change countermeasures by requesting the disclosure of information relating to corporations' awareness of and actions to deal with climate change. Once a year, the CDP sends a questionnaire to companies around the world requesting the disclosure of information relating to their efforts to combat climate change. In 2007, the fifth year of the program, the disclosure of information request was made to approximately 2,000 companies, including the world's top 500 companies in terms of market capitalization. The total assets under management of the 290 financial institutions that participated in the 5th CDP is as much as 41 trillion dollars.

In line with its awareness of the need to accelerate corporate efforts to combat the problem of climate change, Sompo Japan has participated in the CDP since 2005 and has disclosed information on the CDP website about its own climate change efforts since 2006. Moreover, in 2007 Sompo Japan became a Carbon Disclosure Project Member and helped to spread and promote the CDP's activities while cooperating with 16 other institutional investor members.

URL **Carbon Disclosure Project**
<http://www.cdproject.net/>

● WBCSD

Established in 1995, the World Business Council for Sustainable Development (WBCSD) is an association of the world's corporate leaders. As of June 2007, business leaders of 194 corporations in 37 countries are demonstrating leadership in the industrial world about the environment and the sustainable development, engaging in lively debates, and making policy proposals.

Sompo Japan cooperates with the world's financial institutions and is the Japanese financial sector's sole member of the WBCSD since its inception. In September 2002, Sompo Japan was a signatory to the WBCSD Financial Sector Statement declaring that financial institutions promote the creation of a sustainable society through their businesses.

URL **WBCSD**
<http://www.wbcsd.org/>

● UNEP FI

The United Nations Environment Programme Finance Initiative (UNEP FI) is an international network of 169 financial institutions in 37 countries (as of June 2007). In January 1995, Sompo Japan and 45 other insurance companies around the world that are concerned about the globally increasing number of natural disasters signed a statement declaring their intention to aggressively grapple with environmental issues. Accordingly, Sompo Japan is engaging in global environmental conservation activities, aiming to achieve both environmental protection and economic development.

URL **UNEP FI**
<http://www.unepfi.org/>

Signatory to the Principles for Responsible Investment

The Principles for Responsible Investment (PRI) are part of a declaration by financial institutions to consider environmental, social, and governance issues (referred to as "ESG issues") when making investment decisions. The objective of the PRI is to promote voluntary initiatives on the part of investors. The principles were established by the UNEP FI in April 2006. Sompo Japan supports the aim of the PRI, which states that, by considering ESG issues in the course of executing their fiduciary duties, financial institutions can help to achieve the broader interests of society, including the improvement of environmental problems and the fulfillment of corporate social responsibility. On May 1, 2006, Sompo Japan became Japan's first insurance company to become a signatory to the principles.

● United Nations Global Compact

The United Nations Global Compact (GC) is a partnership initiative between the United Nations and businesses to encourage corporations to grow into better corporate citizens by voluntarily addressing human rights, labor, environmental, and anticorruption issues. The GC was proposed by UN Secretary-General Kofi Annan and launched in July 2000.

Sompo Japan joined the GC in January 2006. Since then it has taken a proactive stance in following the 10 principles in the four areas of the Global Compact. Moreover, in June 2007 Sompo Japan declared its support for "Caring for Climate Change: the Business Leadership Platform," which was advanced by the Global Compact, WBCSD, and UNEP.

URL **Global Compact**
<http://www.unic.or.jp/globalcomp/>

● Working with our business partners—CSR procurement

Sompo Japan believes it is importance for corporations to reflect CSR issues in their procurement practices—issues like environmental impacts, respect for human rights, fair business practices, transparency, equal opportunities, and other social responsibilities. It is essential that our suppliers respect our CSR principles and practices and work together with us to support our efforts. Sompo Japan's policies are communicated to our suppliers through our CSR report or CSR pamphlets.

We ask our suppliers to respond to an annual "Sompo Japan CSR Procurement Survey," which asks them about their practices on labor, human rights, and community affairs, as well as the environmental impacts of their products and services. In fiscal 2006, we received 47 responses out of 47 suppliers to whom we issued the survey.

Promotion of environment education

● Employee environmental education program

We focus significant resources on environmental education for our employees, with the aim of creating a corporate culture in which each and every employee cares for the environment. In addition to in-house CSR Literacy Training sessions provided each year for every Sampo Japan Group employee, education in environmental and other CSR issues and initiatives is incorporated into various levels of training, including new employee and new leader training. Our environmental education program also encompasses training for in-house environmental auditors. As of June 2007, total of 136 employees were certified as this type of auditor.

We also use the company intranet and in-house newsletter to regularly disseminate environment-related information and publicize positive examples from our branches nation-wide. Another initiative we conduct is providing an online Introductory Course on Environmental Issues, just one of various in-house on-line courses provided to boost employee knowledge and skills. A total of 1,815 employees had completed this course by the end of fiscal 2006.

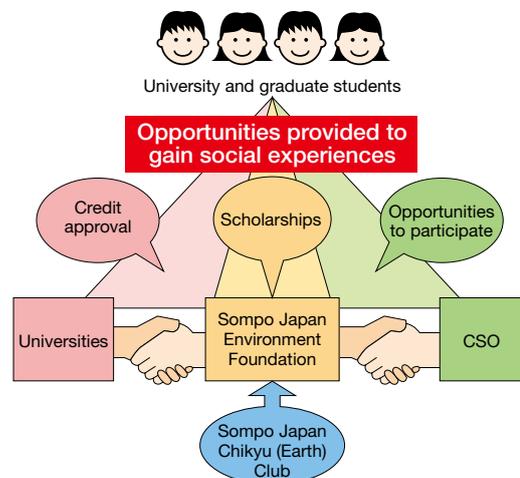
● Public Seminars on the Environment

Sampo Japan and the Sampo Japan Environment Foundation (founded in 1999) work with highly qualified civil society organizations (CSOs) to nurture environmental awareness in society at large. For example, we have since 1993 teamed up with an NPO called the Japan Environmental Education Forum (JEEF) to hold a yearly series of public seminars on the environment, with the aim of cultivating an understanding of environmental issues among the general public. Over 11,800 people have attended the seminars to date, with the 2006 series drawing 544 people. In 2006, we held four seminars each on three different themes: the latest developments in environmental issues; lifestyle and environment / from LOHAS viewpoint; and the fundamental reasons for environmental problems.

The initiatives such as this have not only sparked interest in collaboration between business and civil society, but have also contributed to the involvement of our employees in planning and organizing environment-related and other CSR activities. This process that significantly expanded our network of experts in environmental issues and environmental groups over the past thirteen years.

● CSO Learning Scholarship Program

With the aim of raising environmental awareness among the younger generations, Sampo Japan Environment Foundation has since 2000 run a CSO Learning Scholarship Program to sponsor eight-month internships for university undergraduate and graduate students at environmental CSOs (also known as NGOs/NPOs). This program is designed to provide students with a deeper understanding and broader perspective on environmental issues through real work experience at CSOs, and to support environmental CSOs by augmenting their staff. Regional meetings are held every month for interns to report on their activities, learn about the activities of other CSOs, and develop their presentation skills and breadth of knowledge. The program is supported by the Chikyu (Earth) Club Social Contribution Fund, a fund created through regular donations by Sampo Japan employees. In 2005, the program was conducted in Nagoya, Sendai Tokyo and the Kansai area, and out of a total of 133 applications, 66 students were dispatched to 28 CSOs as interns. An intern alumni association has also been created, and in 2006 both the number of interns and regions will be further expanded.



Sampo Japan provides a scholarship paying 900 yen an hour to interns (a scholarship not provided when the internship is recognized for credit approval at the students' universities). This scholarship is supported by donations from the Chikyu Club Social Contribution Fund.



Students participating in a CSO Learning Scholarship Program, harvesting rice on a field trip



Students participating in a CSO Learning Scholarship Program, planting canola flowers on a field trip



Panel discussion at the public seminar held in Hokkaido Prefecture

Fiscal 2006 Company-wide Environmental Performance Data

In fiscal 2006, we gave priority to climate change countermeasures and made efforts to reduce CO2 emissions company-wide.

Our electrical and overall energy consumption declined thanks to the conversion to power saving equipment for elevators and the installation of energy efficient air conditioning systems nationwide. Consumption of gasoline came down by 10% from the previous year as a result of the accelerated adoption of fuel-efficient vehicles.

On the other hand, our consumption of paper rose overall due to a large increase in prospectuses and information sent to customers despite our efforts to go paperless with all types of documents and forms.

| Company-wide | | | CO ₂ emissions (ton)* ¹ | | Change |
|---|--------|--------|---|---------------|------------|
| | FY2005 | FY2006 | FY2005 | FY2006 | |
| Electricity use (million kwh)* ² | 80.1 | 79.5 | 44,463 | 44,117 | -1% |
| Paper use (ton) | 5,873 | 6,479 | | | +10% |
| Gas use (thousand m ³)* ³ | 217.2 | 197.6 | 425 | 411 | -3% |
| Other energy use (million MJ)* ⁴ | 76.7 | 70.0 | 5,137 | 3,989 | -22% |
| Fuel consumption by company-owned vehicles (thousand liter)* ⁵ | 4,380 | 3,922 | 10,632 | 9,516 | -10% |
| Total | | | 60,657 | 58,033 | -4% |

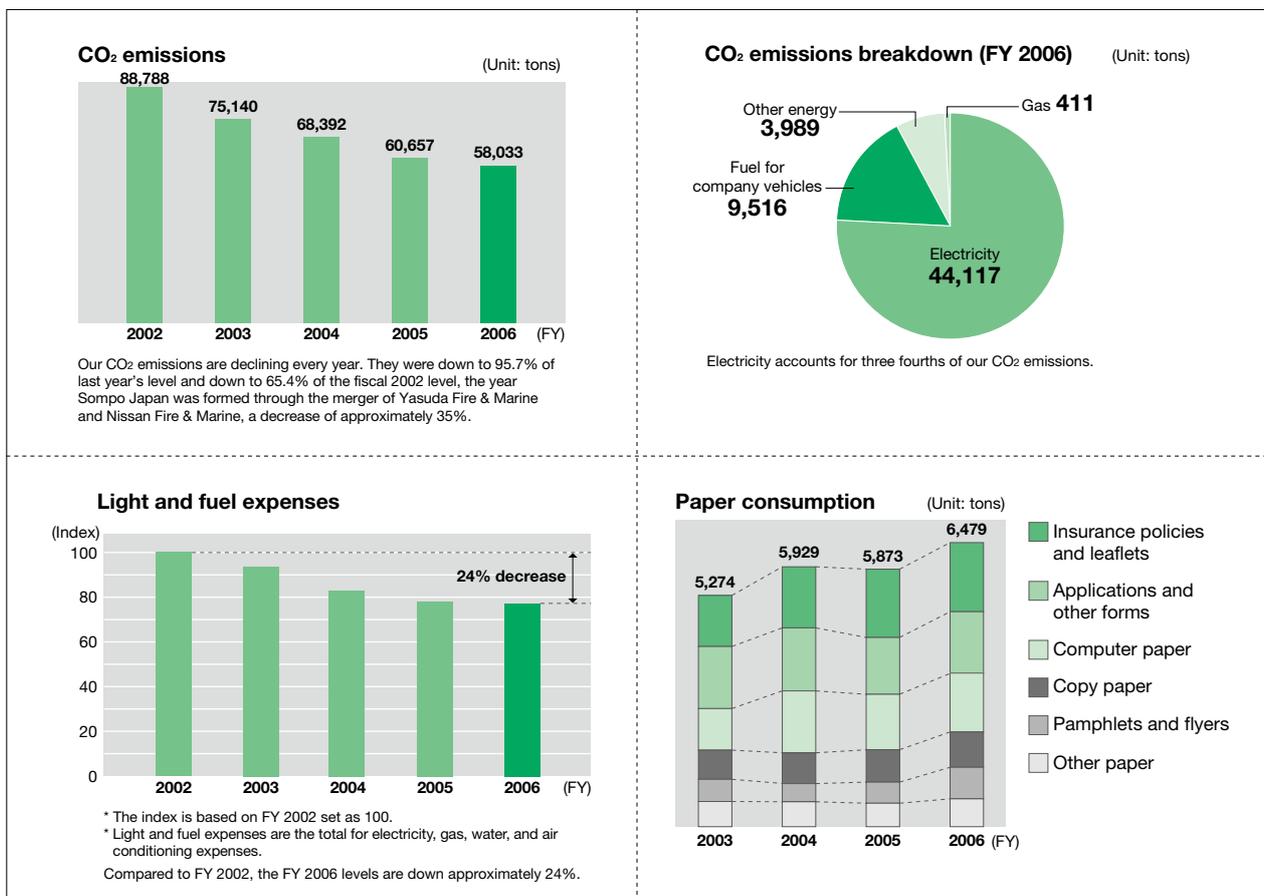
*1 CO₂ emissions: calculated using the coefficient designated in the Act on Promotion of Global Warming Countermeasures.

*2 Electricity use: calculated by dividing the charges for electricity consumed at all Sampo Japan buildings by the average price per kwh. The decline in consumption is due mainly to the fact that electricity previously booked as electricity charges for certain buildings was from fiscal 2003 booked as heating and air conditioning charges.

*3 Gas use: combined consumption of Head Office and three other buildings with Global Warming Prevention Plans conforming to the Tokyo Metropolitan Government Ordinance on Environmental Preservation.

*4 Other energy use: combined steam and cold water supplied by energy companies to Head Office and two other buildings.

*5 Fuel consumption by company-owned vehicles: calculated by dividing the company-wide fuel charges by the average price per liter (101 yen). The number of company vehicles rose by 36% as a result of the July 2002 merger, leading to the rise in fuel consumption.



Environment related figures (fiscal 2006 data, unless otherwise indicated)

Employees qualified as internal auditors for EMS



Environmental awareness raising Employee Education

▼ In-house CSR Literacy Training Program

15,000 employees

▼ On-line introductory Course on Environmental Issues

1,815 employees (cumulative since 2001)

▼ Public Seminars on the Environment

12 sessions

241 sessions (cumulative since 1993)

544 participants

11,343 participants (cumulative since 1993)

Environmental Targets for Fiscal 2007 and Medium-Term Objectives

We are establishing environmental targets and goals on a building-by-building basis for all of our buildings and promoting company-wide environmental management activities. We have included not only the environment but also the CSR perspective in our setting of objectives.

1. Head Office building

Since fiscal 2005, as part of our three-year medium-term plan, we have been tackling resource and energy conservation. The Product Development Department and the CSR/Environmental Affairs Office have been the focus of our development and research efforts to develop products and services with CSR and environmental dimensions.

Environmental objectives of all departments, all offices, and all group companies of the Head Office building (medium-term objectives starting in fiscal 2005) (Target for each year compared with fiscal 2004)

- Energy use (electricity, steam, cool water)
FY 2007 : 5.9% reduction
FY 2006 : 4.9% reduction (actual: 3.4% reduction)
FY 2005 : 3.7% reduction (actual: 2.7% reduction)
- Water use
FY 2007 : Less than 7.8% increase
FY 2006 : Less than 3.1% increase (actual: 8.3% increase)
FY 2005 : 2.9% reduction (actual: 3.1% increase)
- Paper consumption
FY 2007 : Less than 0.8% increase
FY 2006 : 2.3% decrease (actual: 7.5% increase)
FY 2005 : 3.0% decrease (actual: 0.8% increase)
- Recycling rate
FY 2007 : Maintain 90.0%
FY 2006 : Maintain 90.0% (actual: 91%)
FY 2005 : 88.3% (actual: 91%)

* We revised our fiscal 2007 targets for water use and paper consumption.

Specific targets of individual offices and Group companies within the Head Office building

- Reduce environmental impact across all cycles of administrative and system operations, including planning, development, and operation.
- Thoroughly implement an environmental management system nationwide and promote resource and energy conservation.
- Raise proportion of recycled components used in the repair of vehicles involved in accidents.
- Develop and provide financial and insurance products and services related to CSR and environmental issues.
- Promote research and provision of information on CSR and environmental issues.
- Enhance two-way communication on CSR and environmental issues with various stakeholders, including insurance agencies and clients.
- Promote social contribution activities.

2. Data Processing Center

In fiscal 2007, we are making efforts to maintain the level of our Zero Emission activities ("zero waste," interpreted as a recycling rate of at least 98%), that we have consistently achieved since 2003. In addition, we establish a Global Warming Prevention Project Team and unroll initiatives to help prevent global warming. We have also been promoting active participation in social contribution activities in an effort to enhance employee awareness.

- Reducing waste and promoting recycling
- Maintain a recycling rate of 98% or higher.
 - Push thorough separation and disposal of waste in offices and public spaces.
 - Re-examine the recycling flow for each type of waste.
 - Promote zero emission-related and other information activities in and outside the company.

- Promoting social contribution activities, aiming for 100% participation at the end of fiscal 2008
- Continue computer skills classes for people with disabilities (three times a year).
 - Carry out local community cleanups (twice a year).
 - Support local NPO activities.
 - Promote volunteer participation in selection for the J-KIDS Grand Prize.
 - Promote employees' volunteer activities, aiming for 75% participation in fiscal 2007.

- Undertaking initiatives to help prevent global warming
- Establish a Global Warming Prevention Project Team.
 - Provide information on global warming to educate and raise the awareness of employees.
 - Plan specific activities focusing on reducing CO₂ emissions.
 - Undertake efforts with full participation designed to reduce CO₂ emissions.
 - Attach solar control film to the windows of all buildings to improve facilities.

3. Regional headquarters and branch buildings

We set targets for each building and have been developing environmental and social contribution activities based on our E-koto Project. Since fiscal 2005, we have introduced "Action Plan 60," a mechanism designed to manage progress by having each building check the status of implementation of policies in 60 areas relating to resource and energy conservation.

Target categories

- Resource and energy conservation (electricity, gas, water, and copy paper)
- Recycling rate, waste reduction
- Social contribution activities

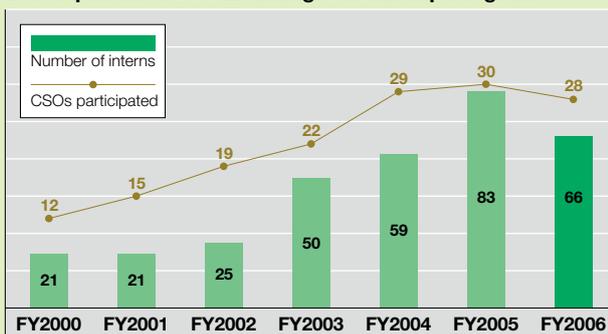


Corporate Social Responsibility (CSR) Initiatives

<http://www.sompo-japan.co.jp/about/environment/>

* Fiscal 2006 performance data for the Head Office building, Data Processing Center, and regional headquarters buildings are available on Sompo Japan's Corporate Social Responsibility (CSR) Initiatives homepage.

Development of CSO Learning Scholarship Program



Grants awarded by Sompo Japan Environment Foundation

▼Academic research related to environmental protection

4 grants (total ¥1,860,000)

▼Environmental CSOs

16 grants (total ¥2,100,000)

▼Environmental symposiums and study groups

7 grants (total ¥3,890,000)

▼CSO human resource training programs

3 grants (total ¥700,000)

5

For Society

Promoting collaboration within communities with administrations, NPOs, and community residents by committing to community issues as a member of the local community is one of our priority CSR issues. In addition to social contribution through three foundations related to welfare, the fine arts, and the environment, the cultivation among all employees of a keen and flexible sensitivity toward society through active involvement in community activities is of the utmost importance.



Sompo Japan's Corporate Citizenship

We believe it is essential for every employee of the Sompo Japan Group to cultivate a sensitive attitude and open-mindedness toward society, by taking an active part as a member of the community. Sompo Japan carries out corporate citizenship activities in the three main areas of social welfare, the fine arts, and the environment, while also supporting employees who participate in the community through volunteer activities.

● Sompo Japan's Corporate Citizenship Policy

The Sompo Japan Corporate Citizenship Principles, adopted in October 2002, incorporate two perspectives and three focus areas and form a straightforward declaration of support for behavior that makes a contribution to society. Based on these principles, the Sompo Japan Group actively implements initiatives that contribute to society while supporting individual employees' voluntary efforts. In particular, we are pursuing these activities in cooperation with civil society organizations (CSOs, also known as non-profit organizations, or non-governmental organizations) that have high levels of expertise.

● Guidelines for activities contributing to sustainable society

A wide variety of corporate citizenship activities in the three main areas of welfare, fine arts and environment are being promoted with the cooperation of CSOs through the Sompo Japan Foundation, the Sompo Japan Fine Arts Foundation and the Sompo Japan Environment Foundation. To ensure continuity in implementation of these initiatives, we have established evaluation criteria for selection of programs to support, as well as expenditure guidelines linked with management indicators.

● The Chikyu (Earth) Club, an employee-managed volunteer organization

The focal point for involvement of our employees for contributions to the community is the employee-managed volunteer organization, the Chikyu Club, established in 1993. All employees become members, and carry out volunteer activities appropriate to the needs and particular circumstances of each region of the country. Sompo Japan places importance on creating opportunities for employees to take an individual interest in pursuing such activities, and gives systematic support by providing information on volunteer opportunities as well as a system of days off and leaves of absence for participating in volunteer activities.

Sompo Japan Corporate Citizenship Principles (Introduced on October 22, 2002)

Sompo Japan, as a good corporate citizen, actively implements initiatives that contribute to society, while supporting individual employees' voluntary efforts.

Two perspectives

1. Corporate Citizenship Activities

Sompo Japan Group will implement sound and consistent corporate citizenship activities that will bring benefits to society and a wide range of stakeholders and that, at the same time, will contribute to the enhancement of group corporate value.

2. Individual Employees Contributions

Sompo Japan will assist volunteer activities by individual employees through the "Sompo Japan Chikyu Club," while the company strives to establish systems and raise the awareness of employees for voluntary participation and involvement in social activities.

Three focus areas

Sompo Japan's initiatives are focused on the following three areas, in which it has accumulated expertise and achievements:



*No limitation of areas is set for Individual Employee Contributions

Systems to support volunteer activities

● Short and long volunteer leave system

In fiscal 1993, Sampo Japan established a system for taking short and long volunteer leaves of absence separate from paid vacation time.

Employees can take short-term leaves of absence for two days or less per month for up to 20 days per year. In fiscal 2006, seven employees took such leaves in order to serve as volunteers in environmental preservation activities and a summer camp for children with disabilities.

Employees who have been with the company for four or more years can apply for long-term volunteer leaves of absence lasting from six months to three years; applications for these leaves are accepted once a year. Unfortunately, no employees made use of the long-term volunteer leaves of absence system in fiscal 2006.

Initiatives of the Chikyu (Earth) Club

● Raising awareness and creating opportunities

The Chikyu (Earth) Club is the organization that supports employee volunteerism. All employees become members and carry out volunteer activities appropriate to the needs and particular circumstances of each region of the country. We work to make volunteerism seem familiar and to create opportunities for participation by providing volunteer information and introducing examples of good efforts in each region through our company intranet.

● Chikyu (Earth) Club Social Contribution Fund

Since July 1999 we have operated a fund to which Chikyu Club members can choose to donate 100 yen or more per month out of their salaries to help the members' social contribution activities. In fiscal 2006 there were 5,557 contributors making an average monthly contribution of 240 yen. Combined with the amount left over from fiscal 2005, approximately 17 million yen was given out during fiscal 2006.

● Chikyu Club Matching Grant System

Sampo Japan donates an amount equal to half the amount donated by employees to NPOs and other causes, up to 50,000 yen.

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|-----------------------|---------|---------|--------|---------|--------|
| Contributions | 7 | 9 | 2 | 3 | 1 |
| Matching grants (yen) | 302,000 | 286,000 | 39,860 | 110,000 | 50,000 |

● Summary of support from the Chikyu (Earth) Club Social Contribution Fund during fiscal 2006

- (1) Financial support for volunteer activities planned independently in each region
 - Approximately 400,000 yen for six activities. Financial support was given for employee volunteer activities such as cleaning and maintaining wheelchairs and holding computer classes for persons with disabilities.
- (2) Support to cover expenses arising from members' volunteer activities
 - Approximately 200,000 yen for 17 activities. Expenses covered include the purchase of items needed for volunteer activities, transportation costs, and gratuity

- payments for instructors.
- (3) Donations to NPOs and other organizations recommended by members
 - 4.2 million yen for 32 organizations.
- (4) Grants to NGOs through foundations
 - A total of 7.5 million yen. Donations were made to the Sampo Japan Environment Foundation, the Sampo Japan Foundation, and the Sampo Japan Fine Arts Foundation, which then used the funds to strengthen the foundations of the CSO (Civil Society Organization) Learning Program and welfare organizations and undertake other social contribution activities.

Message from an NPO grant recipient

Shanti Volunteer Association (SVA)
Nobuko Sato, Child Book Supporters Coordinator

On October 19, 2007, we held a joint event, The Big Power of Small Picture Books, with the Sampo Japan Chikyu Club at the Sampo Japan Head Office building. Ms. Jamila Kazimi came to Japan from our Afghanistan office and explained the current state of affairs in Afghanistan as it heads toward recovery. She made a passionate appeal to more than 80 people as a woman and mother of the importance of education, the significance of library activities, and the need for continual support. Attendees enjoyed listening to Ms. Jamila Kazimi read some picture books out loud and tasting tea and sweets from Afghanistan. The event was a valuable opportunity for cultural exchange. Many of the attendees were volunteers who have participated in our picture book donation campaign. I think that they came to feel closer to the country where their picture books were sent by learning about the situation there.



Supporting culture and fine arts

● The Seiji Togo Memorial Sompō Japan Museum of Art and the Sompō Japan Fine Art Foundation

The Seiji Togo Memorial Sompō Japan Museum of Art, located on the forty-second floor of the Head Office building, opened its doors in June of 1976. The museum's collection is comprised of the works and private collections of Seiji Togo, a celebrated Japanese modern artist closely associated throughout his life with our company. The museum has since collected such acquisitions as Vincent van Gogh's *Sunflowers* in October 1987, Paul Gauguin's *L'Allee des Alyscamps, Arles*, in January 1989, and Paul Cezanne's *Pommes et Serviette* in January 1990, and now has approximately 450 works of art. Special exhibitions held during fiscal 2005 included the Prato Crown Jewel Exhibition and the 17th to 19th Century French Art Exhibition (Fabre Art Museum Collection, Montpellier). The museum welcomed 155,000 visitors during fiscal 2006, and a total of over 3.96 million people have enjoyed the collections since its opening.

The Sompō Japan Fine Art Foundation, the museum's main administrative body, also engages in a variety of other activities, such as co-sponsoring fine arts exhibitions around the country.

● A museum accessible for everyone

A letter from an elementary school student who was inspired by viewing Van Gogh's *Sunflowers* painting led to our policy of allowing elementary and middle school students into all exhibitions free of charge, starting in December 1998. For children, we also hold art workshops, publish the "Sunflower Newsletter" covering news about the museum, and publish children's guidebooks for special art exhibitions. Also, starting in 1997, once every year we invite people with hearing disabilities to the museum. Sign-language interpretation for the museum curator's talk is provided by our employee volunteers, who are a members of an employee-organized sign language study group.

Over the last nine years, 144 guests have visited the museum under this program, and 124 employees have participated as volunteers. In November 2005, the museum held its first art appreciation event for the blind when 13 visually-impaired persons were invited to enjoy paintings on display. Forty company employees supported the "art appreciation by words" event as volunteers, explaining the sights in response to questions from the visually-impaired guests.

Working for children's safety and learning

● Yellow safety badges

Every April, Sompō Japan joins two other financial institutions in a program in which every child entering the first grade in elementary school is given a yellow traffic safety badge that also comes with insurance coverage for traffic-related injuries. This not only raises the children's awareness about traffic safety, but by eliciting the cooperation of drivers and local citizens, it also contributes to the prevention of traffic accidents. The program, started in 1965, marked its forty-third year in 2007; since its inception, 53.06 million badges have been given out.

● Puppet theater

In 1989, upon completion of our Nagoya building, the Himawari Hall (*himawari* means "sunflower") puppet theater was opened on the top floor as part of our support for culture and the arts. Though the Nagoya area abounds in puppet groups, until then major facilities to support their activities were lacking. The hall is co-managed with a local NPO. It hosted performances on 111 days of fiscal 2006, and by the end of the year had welcomed a total of 184,509 persons in its audiences since the venue first opened. Events include not only puppet plays, but also lectures and various kinds of workshops. These, and a variety of other related activities, such as soliciting scripts and assisting in the creation of new puppet theater repertoires, have attracted national attention.

● Supporting a children's website award

Sompō Japan also supports a contest that awards a prize, the All-Japan Elementary School Website Grand Prize (J-KIDS Grand Prize), to elementary schools that have created outstanding websites. The J-KIDS Grand Prize was initiated in 2003 with the intention of encouraging elementary schools that make a special effort to create good websites, as well as to improve their information-technology literacy. An independent survey of elementary school websites was carried out by a team of volunteers from a number of companies. The nomination process starts in May every year. In 2006, more than 1,100 volunteers, including many from Sompō Japan, viewed more than 17,000 primary school websites. This year, four schools received awards presented by Japanese Cabinet ministers.

● "Let's Build the Future Together!" —Leaflet for children

We create and distribute leaflets for children that clearly introduce global warming, efforts to reduce paper consumption, disaster prevention education through puppet plays, and our presentation of yellow traffic safety badges.



Society related figures (fiscal 2006 data, unless otherwise indicated)

Supporting civil society initiatives

▼NPO start-up supporting grants

55 organizations / 16.5 million yen

▼NPO strengthening grants

11 organizations / 10 million yen

▼Grants for groups assisting people with disabilities (cumulative since 1977)

1,700 groups / 1.09 billion yen

▼Grants for automobile purchases for welfare groups

10 groups / 10 million yen

Supporting art, culture and children

▼Sompō Japan Seiji Togo Memorial Museum of Art

155,230 visitors

5,262 children entered for free

3.96 million visitors welcomed (cumulative since 1976)

▼Puppet Theater

184,509 audiences (cumulative since 1990)

▼Yellow traffic safety badges

53.06 million badges donated (cumulative since 1965)

▼All-Japan elementary school website award (J-KIDS Grand Prize)

1,173 employees volunteered

17,107 websites surveyed

Expanding the reach of social welfare

● The Sompo Japan Foundation

The Sompo Japan Foundation supports groups specialized in the field of social welfare; it also fosters the careers of researchers in the social welfare field, by supporting their studies on social welfare, social security, and property and casualty insurance, and publishing their findings. The Sompo Japan Foundation Award, established in 1999, is the only prize given in Japan for outstanding contributions to scientific literature in the social welfare field.

To assist the hearing-impaired, at the annual awards ceremony we use note-takers (who take notes of the ceremony and show them to the hearing-impaired person beside them) and computer-based "gisting" (speaker's words are summarized and displayed on a screen). At the commemorative speeches we provided sign language, computer-based "gisting," and a "magnetic induction loop" system (a type of assistive listening system that provides a signal to hearing aids). We took a variety of disabilities into consideration in an effort to make the ceremony and commemorative lectures barrier-free, and received many favorable responses to these efforts in a questionnaire distributed at the events. We will continue working to create an accessible environment that allows everyone to participate.

● Supporting realization of the rights of elderly and persons with disabilities

Since its establishment in October 1977, the Sompo Japan Foundation has supported groups that provide in-home care for the elderly and persons with disabilities. From the start of this

program until fiscal 2006, about 1,700 awards have been granted, totaling about 1.09 billion yen.

Grants and related information are disclosed on the foundation's website: www.sompo-japan.co.jp/foundation.

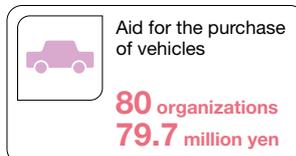
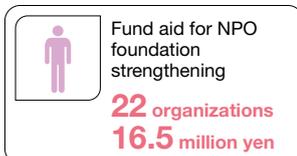
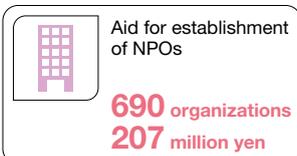
Also, since 1999 we have been assisting citizens' groups that wish to become officially-recognized NPOs under Japan's NPO law through our NPO Establishment Support Fund. A total of 16.5 million yen was awarded to 55 out of a total of 249 groups that submitted applications in fiscal 2006. A new project was started in fiscal 2004 to provide financial support for NPO capacity-building, under which 11 organizations received grants totaling 10 million yen in fiscal 2006. The Foundation has published three guidebooks on establishing and managing NPOs and on fund-raising, and a total of 16,000 copies were distributed free of charge to various groups, including NPOs and local government bodies, etc.

Awards of one million yen each were made to organizations that provide in-home welfare services to people with disabilities, in order to help these groups purchase vehicles. A total of 10 million yen was awarded to ten out of the 54 groups that submitted applications.

Additional support was provided for networking and other activities designed to strengthen organizations working for people with disabilities; in fiscal 2006, we provided grants totaling 2.5 million yen to two organizations.

The Sompo Japan Foundation's 30 years through numbers

Aid to organizations in the social welfare field: 1,700 grants totalling 1.09 billion yen in aid over 30 years



One million yen in aid for each organization to help cover the cost of purchasing vehicles. Given to organizations that provide welfare services at home for persons with disabilities.

Aid to help cover the cost of meetings and other activities with the purpose of strengthening organizations for persons with disabilities.

Fiscal 2006 fund aid performance

| Project | Applications | Aid recipients | Total aid amount |
|------------------------------|--------------|----------------|------------------|
| NPO Establishment Fund | 249 | 55 | 16.5 million yen |
| NPO foundation strengthening | 68 | 11 | 10 million yen |
| Vehicle purchasing costs | 54 | 10 | 10 million yen |
| Meeting costs | 2 | 2 | 2.5 million yen |

Paid holiday for volunteer works

| | FY2003 | FY2004 | FY2005 | FY2006 |
|-----------------------------------|--------|--------|--------|--------|
| Number of employees participating | 4 | 9 | 9 | 7 |
| Holidays given | 4 | 10 | 10 | 10 |

Club Fund Chikyu

| | FY2003 | FY2004 | FY2005 | FY2006 |
|---|---------|---------|---------|---------|
| Number of participants | 5,208 | 5,066 | 5,201 | 5,557 |
| Average monthly contribution per person | 258 yen | 252 yen | 248 yen | 240 yen |

Unit: million yen

| | FY2003 | FY2004 | FY2005 | FY2006 |
|---|--------|--------|--------|--------|
| Total amount contributed | 15.4 | 15.6 | 14.9 | 17.0 |
| Amount donated to disaster-relief initiatives | 1 | 2.65 | 1 | 0.4 |
| Amount donated to civil society organizations | 17.0 | 17.3 | 12.4 | 12.3 |
| Amount given to support volunteer activities | 1.12 | 0.74 | 1.25 | 0.61 |

Ms. Anne Gadegaard
Larsen
Adviser,
Corporate Responsibility
Novo Nordisk A/S
Denmark



On a path to leadership

Sompo Japan's CSR Report 2007 presents a confident organisation which appears to have overcome last year's challenges. The current key challenges are clearly described by the President and Chief Executive Officer: 1) adaptation to and mitigation of climate change, 2) risk management for safety and peace of mind, 3) CSR financing and 4) promoting cooperation within communities.

The report is well-structured and addresses the issues of concern to the main stakeholders: customers, shareholders and investors and employees. This is followed by a description of Sompo Japan's direct impact and activities. Applying this structure has some challenges, since the last two chapters seem somewhat disconnected from the four material issues.

Sompo Japan has done a great job in describing its material impact and showing, through detailed examples, how the organisation ensures that investment and insurance strategies are responsible. It would be relevant to communicate progress and actions directly linked to the commitment to the Principles of Responsible Investment.

On a continued path of leadership, Sompo Japan is a Carbon Disclosure Project (CDP) Reporter and Member. A next step would be to disclose how information provided in the CDP informs investment decisions. This would be a strong argument towards organisations looking for investments in the future.

As a signatory to the UN Global Compact Caring for Climate, reporting on adaptation to and mitigation of climate change becomes an issue for Sompo Japan's customers,

There is no doubt that Sompo Japan's greatest impact is through its indirect activities, namely as loans and investments. This implies that customers, shareholders and investors have significant direct impact both in terms of energy consumption and transportation.

However, in my view, Sompo Japan misses an opportunity to set an ambitious long-term, absolute reduction target for its own CO₂ emissions. Such an initiative would demonstrate 'good housekeeping'. Moreover, it would entail an opportunity to be utilized to engage employees in pursuing these targets.

The 2007 report does not follow up on last year's initiative "Messages from...", which provided a good insight into stakeholders' perceptions of Sompo Japan's CSR initiatives. To make up for that, Sompo Japan should consider how to demonstrate continued and strengthened engagements with stakeholders and enhanced responsiveness to stakeholders. For the 2008 report, this could be done via a statement by a stakeholder panel.

Reap the benefits of CSR initiatives

In conclusion, Sompo Japan's CSR Report 2007 is very comprehensive and provides the reader with a good understanding of the organisation's material issues and management's approaches in response. Sompo Japan should consider how to better guide the reader towards an understanding of the links between material issues and the company's long-term strategy, how these issues are managed through long-term strategic targets and annual performance follow-up, and how stakeholders perceive these priorities.

This year my challenge to Sompo Japan will therefore be to consider how to ensure that the CSR Report can provide a more complete and transparent picture of Sompo Japan's material issues, based on a responsive approach to stakeholders.

Ms. Carolyn Schmidt
Program Director,
ECOLOGIA
Vermont USA



This year's report indicates that Sompo-Japan is determined to maintain and increase its leadership role in CSR. In an increasingly crowded global field, Sompo's CSR progress is notable for its efforts to address multiple facets (environmental, social and economic), and for its openness in presenting results.

Sompo-Japan starts with a great advantage in its pursuit of CSR: its core business (risk management and finance) lends itself to socially and environmentally responsible activities. Sompo is steadily building on this advantage by expanding its offerings to promote sustainable outcomes (for example, selling weather derivatives to provide protection for solar and wind investments; providing project finance for a wind power generation company.) Sompo-Japan has been consistent in its efforts to promote climate change mitigation and adaptation. Sompo's management of its socially responsible investment funds also shows consistent commitment to CSR.

Sompo continues to grapple with serious cultural and societal issues for Japan as a whole. These will not have quick or easy solutions. This year's CSR report documents the wide range of initiatives that Sompo is using to promote work-life balance for its employees. However, the fact that very few employees use the family or child care leave, or the paid holidays for volunteer work, indicates the cultural barriers inhibiting people from choosing personal time over work time. Sompo is to be commended for identifying workplace bullying as a subject for employee training; this serious issue all too often has been ignored in many countries until very recently. Sompo is also to be commended for presenting its employee figures for men and women, by types of position. More noteworthy than the lack of female executive officers is the continuing stark division of employees into "core positions" (97% male) and "general positions" (99% female). Perhaps, in addition to its ongoing efforts to identify and train women for executive and core positions, Sompo could also consider how to attract men into the general positions. This could be a creative approach to the underlying causes for the continuing male-female disparities.

This year's report shows a great deal of dynamism – an impressive achievement for a large corporation working on many different issues and programs. It is hoped that the news about the achievements, and the variety, of Sompo-Japan's CSR work is communicated to all employees (including those in marketing and sales), shareholders, and potential customers. In this way, Sompo's well-established CSR programs could become an even stronger force throughout society.

Suggestions for 2008 Report:

1. Provide more specific examples of how stakeholder dialogues are actually conducted.
2. Sompo-Japan's CSR department has worked since 2005 on the creation of the new ISO 26000 global "social responsibility" standard. Sompo should take credit for this commitment.
3. More information in the "For Shareholders and Investors" section could emphasize Sompo's role in creating and distributing wealth. Explaining this aspect of the "triple bottom line" is also a way to advocate for the social value of such wealth creation.

Mr. Nay Htun
Professor of Environmental
Sustainability,
Stony Brook Southampton,
State University of New York;
Fellow and Visiting Professor,
Imperial College London;
Visiting Professor and
Senior Advisor Asia Pacific,
Lund University Sweden;
(Former UN Assistant-Secretary
General, UNEP, UNDP)



Planet Earth's "spheres" of the atmosphere, hydrosphere and biosphere have been continuously changing and are always in a flux. The concern is that the magnitude, intensity and frequency of the changes are increasing and that there is a confluence of unprecedented global social, economic, demographic, ecological changes. Climate change is influencing the equilibrium and the consequences are over-arching and impact upon every aspect of human welfare, well being, society, and hence human security.

The consequences of climate change include the increase of the "4 Ds": Disasters; Destructions, Diseases, Deprivation. Elaborating briefly:

- From UN data, the numbers of hydro-meteorological, geological and biological disasters have increased for 71 during the decade 1900-1909 to 2711 during 1990 -1999 and in 2006 alone there were already 390.
- Destructions by extreme weather episodes are increasing globally as a result of record breaking temperatures, floods, and droughts occurring more frequently. Destructions are not only to infrastructures and dwellings but also to the ecosystem, biodiversity, social and cultural patrimony.
- Warmer temperatures and higher humidity favor the spread and range of disease carrying vectors, pathogens, molds and fungi, increasing the prevalence of alien invasive species, and compounding the risks and transmission of infectious diseases. In the temperate and semi-temperate regions of North East Asia, malaria is re-emerging. There is now beginning to be more attention on the linkage between climate change and health. The elderly and the young are the most vulnerable, necessitating special social responsibility.
- Staple food shortages, as we are currently witnessing in an increasing number of developing countries, are leading to hunger and if not addressed, famine. These are the most pernicious form of deprivation.

The imperative need for mitigating and adapting to climate change is now widely recognized. The series of 2007 IPCC reports, affirmed with "very high confidence that the globally averaged net effect of human activities since 1750 has been one of warming ---" Concurring with this assessment, the recently concluded G8 Summit in Hokkaido pledged to work "towards a low-carbon society"

Business and industry, especially the financial service industry, have very important and critical roles to play by promoting, fostering and supporting the transformations needed to usher in a society that uses fossil energy more efficiently and less wastefully while concurrently encouraging much more research, development and applications of

new and renewable energy. The concept and implementation of Corporate Social Responsibility policies and programmes have evolved significantly over the past decade. Enlightened and visionary corporations are continuously expanding the boundaries and providing the leadership towards a paradigm change. I am delighted to provide personal comments on Sompo's Corporate Social Responsibility Report. The corporation's philosophy, policies and implementation of the core priority areas of adaptation to and mitigation of climate change; risk management for safety and peace of mind; CSR financing; and promoting corporation with community nationally and internationally, are most commendable. The current and past Reports clearly show Sompo's strong commitments to its Corporate Citizenship policy and underscore the Corporation's responsibilities towards customers, employees and the public.

Mr. Scott T. Davis
 Professor,
 College of Business
 Rikkyo University
 Japan



This CSR communication is of considerable importance because it reports on the outcomes of the policies and initiatives implemented by Sompo Japan in the year following its having been the subject of disciplinary action by the Japanese Financial Services Agency as a result of its failure to make payouts and adequately monitor internal business processes for irregularities.

If the question to be answered in the 2006 report was "how will Sompo Japan regain the trust of its stakeholders," the task facing this year's report is to "measure the extent to which Sompo Japan has been able to win the trust of and create value for its stakeholders." In other words, the goal for Sompo Japan in this report should be to objectively explain its goals and review its progress in:

1. Creating actual business value from its principles,
2. Developing the business processes needed to ensure continued value creation in the future, and
3. Identifying its key stakeholders and explain the value Sompo Japan as a partner to these groups and individuals.

Principles

The "Message from the CEO" starts with a clear statement of principles. Locating a customer-first policy and two-way communication with employees as a critical component of the newly initiated medium-term business plan shows a real commitment to achieving the goals of transparency and accountability. Considering, however, the importance that Sompo Japan has always placed on cooperation with NPOs, it is surprising that this statement makes no specific reference to these social partners and their place within the medium-term plan.

Processes

As a non-life insurance company, it goes without saying that risk is a critical issue for Sompo Japan. This report presents an excellent explanation of the way in which Sompo Japan uses its expertise in the measurement and management of risk to design its social contribution. The choice of the issues of climate change, safety and security, CSR financing, and social cooperation and communication as the basis for Sompo Japan's CSR initiative is made possible by, and stands as evidence of, a deeply integrated approach to achieving both financial and social goals. Public concern and interest within Japan regarding these issues (and risk in general) has increased dramatically during the past year. Sompo Japan's focus on, and integration of, these issues into a coherent CSR initiative indicates both the level of strategic importance accorded by the company to CSR and to the quality and volume of management resources dedicated to the planning and implementation of its initiatives.

Processes established to reform and strengthen what the company refers to as a "compliance mindset" are given considerable coverage in this year's report. The explanation of the PDCA cycle used to guide and integrate the company wide compliance system is detailed yet clear. The introduction of compliance training combined with regularly scheduled examinations to check the awareness of all employees for applicable rules and regulations is concrete evidence of the actions taken to implement the reforms announced in the 2006 report.

Partners

This report introduces several new initiatives whereby Sompo Japan strives to increase its value as a partner to its various stakeholders. Among these the explanation of the strengthening of systems to support individual customers is well presented. However, data on the content and volume of customer complaints as well as goals for their reduction should be given. Similarly the new business continuity management consulting practice is well presented but could be further enhanced by an explanation of how it is actually designed and why it is of such social significance in Japan at present.

In this report Sompo Japan goes a long way in explaining how and to what extent it has managed to define and contribute to the wellbeing of its customers, the community, the natural environment, the workplace, and of course of the wellbeing of its business.

On a logistical note, this year's report makes good use of links to the Internet to provide additional information on selected topics without overloading the report with details. However, considering the volume and variety of its activities, it may be time for Sompo Japan to concentrate its reporting efforts on a more comprehensive coverage of a few select issues that are of particular importance to the English reading public.

UN Global Compact Communication on Progress

The UN Global Compact is an international initiative began in July 2000. The initiative is first of its kind bringing private enterprises companies, labour organizations, UN agencies, and civil society together, in support of 10 principles covering human rights, labour, the environment and corruption.

The 10 principles are based on the prominent internationally proclaimed instruments such as the Universal Declaration of Human Rights, the International Labour Organisation's Declaration of the Fundamental Principles and Rights at Work, and the Rio Declaration on Environment and Development.

Sompo Japan believes the importance of the initiatives led by the UN global Compact and expressed our participation in December 2005. The 10 principles of the UN Global Compact have been our guideline and leverage in the course of our business pursuing more sustainable development.

An index below shows our performance in demonstrating the Global Compact's 10 principles in our business. This is our Communication on Progress, reporting our progress to the UN Global Compact, where we all share our endeavor.

| UN Global Compact Principles | Pages |
|--|----------------|
| 1. Businesses should support and respect the protection of international proclaimed human rights within their sphere of influence. | P19 |
| 2. Businesses should make sure that they are not complicit in human rights abuses. | P19 |
| 3. Businesses should uphold the freedom of association and the effective recognition to the right to collective bargaining. | P18 |
| 4. Businesses should uphold the elimination of all forms of forced and compulsory labour | P18-19 |
| 5. Businesses should uphold the effective abolition of child labour. | P18-19 |
| 6. Businesses should eliminate discrimination in respect of employment and occupation. | P18-20 |
| 7. Businesses should support a precautionary approach to environmental challenges. | P10-11, P22-27 |
| 8. Businesses should undertake initiatives to promote greater environmental responsibility. | P22-27 |
| 9. Businesses should encourage the development and diffusion of environmentally friendly technologies. | P22-25 |
| 10. Businesses should work against all forms of corruption, including extortion and bribery. | P6-7 |

Corporate Social Responsibility Report 2007

CSR Office
Corporate Communication Department
Sompo Japan Insurance Inc.

26-1, Nishi-Shinjuku 1-chome,
Shinjuku-ku, Tokyo,
160-8338, Japan

Tel : +81-3-3349-9596
Fax : +81-3-3349-3304
E-mail : eco@sompo-japan.co.jp

www.sompo-japan.co.jp/english/