

Corporate Social Responsibility Report
2005

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 633 offices in Japan and 39 overseas, a nationwide service network of 229 locations, as of July 1, 2005. We have a workforce of 14,705 employees as of end March 2005. Net premiums written in fiscal 2004 amounted to 1,351,915 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 problems 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. 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 FY2004

	Millions of Yen			Thousands of U.S. Dollars
	2005	2004	2003	2005
Net premiums written	¥1,376,233	¥1,377,900	¥1,288,664	\$12,812,895
Total interest and dividend income	94,511	85,917	77,870	879,909
Net income (loss)	51,766	55,088	(29,265)	481,948
Total assets	5,874,859	5,689,037	5,331,704	54,695,643

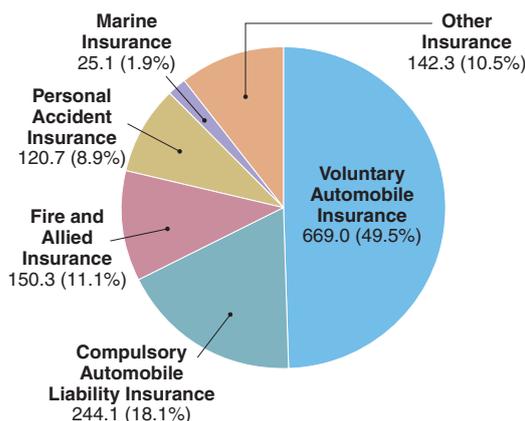
Non-Consolidated Financial Highlights in FY2004

	Millions of Yen			Thousands of U.S. Dollars
	2005	2004	2003	2005
Net premiums written	¥1,351,915	¥1,352,877	¥1,264,284	\$12,586,491
Total interest and dividend income	82,706	75,114	68,484	770,003
Net income (loss)	56,898	64,175	(15,472)	529,727
Total assets	5,157,080	5,072,285	4,785,865	48,013,034
	Percent			
Loss ratio	64.8%	56.8%	54.4%	
Expense ratio	30.9%	31.9%	33.5%	

Notes: 1. U.S. dollar amounts are converted from yen at the rate of ¥107.41=\$U.S.1.00, the approximate rate prevailing at March 31, 2005.

2. Total interest and dividend income comprises "Interest and dividend income on deposits of premiums, etc." and net "Interest and dividend income."

Net premiums written by categories in fiscal 2004
(Unit: billion yen)



Sompo Japan Head Office
(Shinjuku, Tokyo)

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For Readers

This is the fourth annual sustainability report from Sompo Japan, and eighth 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 2004 (April 2004-March 2005), though some activities conducted after that period are also included.

Issued after the Annual Report 2005 (published August 2005), 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 2005, which is available on our website along with our sustainability reports:

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

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

*Sustainability Reporting Guidelines 2002, Global Reporting Initiative

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

*Environmental Reporting Guidelines 2001 -With Focus on Stakeholders, Ministry of Economy, Trade and Industry, Japan

Realizing a Sustainable Society through the Wisdom and Will of “People”



A Wave of Natural Disasters and Our Mission

The earthquake off the coast of Sumatra and the massive tsunami that devastated the Indian Ocean coastline in December 2004 brought on catastrophic disasters, leaving over 300,000 lives lost or missing. In 2004, Japan, too, was challenged by frequent natural disasters, including a record 10 typhoons that made landfall as well as the Niigata Prefecture Chuetsu Earthquake. Furthermore, the yet powerful Hurricane Katrina, which tormented the people in New Orleans and neighboring areas, is expected to be one of the worst catastrophes in the history of the United States. I would like to express my heartfelt sympathy to those who suffered harrowing damage in any of these disasters.

Sompo Japan Insurance Inc., as a property and casualty insurer, makes every effort possible to pay insurance benefits regarding such natural disasters promptly. I myself personally reaffirmed our company's social role of diffusing insurance for economic preparedness and disseminating information on disaster reduction widely.

In recent years, large-scale natural disasters including typhoons and flooding have been on the increase, which some experts attribute to global warming. Thus, with the Kyoto Protocol coming into force on February 16, 2005, an opportunity has been presented for each of us to seriously reconsider what we can do to tackle global warming.

At Sompo Japan, we have accelerated various initiatives to that effect over the past year. They include the development and diffusion of insurance products that facilitate reductions in carbon dioxide emissions generated in the course of business activities, as well as energy-saving efforts, education about disaster reduction, and participation in the Carbon Disclosure Project, a coordinated project by global financial institutions. Going forward, we are committed to continue with these activities as a group-wide effort.

Group-Wide CSR Where Each Employee Thinks and Acts

What is most important in practicing corporate social responsibility (CSR) is that all officers and employees see CSR as their individual responsibility and address it continuously. In August 2004, I instructed all 38 executive officers how we should promote CSR within our organization and requested them to make proposals with the hope that "our management give deep thought to CSR and communicate their way of thinking to their staff in their own words, providing leadership in mainstreaming CSR in business divisions or regions of their responsibility." Consequently, a number of powerful proposals, the product of all the executive officers' serious thoughts about ways to facilitate mainstreaming CSR, were submitted.

These proposals formed part of the readings in the "CSR Literacy Training" program, where all employees at group companies discuss CSR issues in their respective workplaces. This year, we will continue this process of officer proposals and participatory training programs for all employees.

Only when employees individually think about CSR at Sompo Japan, describe it in their own words, and practice it in their daily business activities can we say that CSR has taken firm root in our corporate operations. To realize the goal of mainstreaming CSR, we will continue to make strenuous efforts to develop "human resources who think and act on their own initiative."

Together with All Stakeholders

I regard the "development of human resources" as a key to the furtherance of CSR because I believe that "people" are the principal force in pursuing business performance that is socially responsible, environmentally sound, and economically viable. It is our own willingness and actions that help us overcome difficulties and realize social changes for a better future.

I do trust the wisdom and will of people to realize a sustainable society. I also believe that it is essential that we constantly redefine what our responsibility is as an enterprise through dialogue with multiple stakeholders and that all of us, as respective components of society, think together about which path we should take to fulfil our respective responsibility for our common future.

In fiscal 2005, Sompo Japan intends to further deepen dialogue with stakeholders through a variety of channels. I am looking forward to hearing frank comments and critical views, upon which we will push forward with our CSR initiatives.



Hiroshi Hirano

President and Chief Executive Officer

Acting on Global Warming

— what can an insurance company do to mitigate climate change?



Markedly retreating glaciers in Patagonia, Chile
©Greenpeace/Beltra

Rising Natural Disasters and Impact on Insurance Companies

The property and casualty insurance industry is one of the sectors that is affected most by an increased incidence of natural disasters. Insurance payments totaling ¥567.8 billion for the damage caused by Typhoon No.19 that moved down through Japan in 1991 were then the largest amount in the world ever paid out for a single typhoon. Insurance claims paid in connection with Hurricane Andrew that devastated the United States in 1992 topped US\$22 billion. In 2004, 10 typhoons, the highest number on record, made landfall on Japan, with a record combined amount of ¥720 billion in insurance payments in 2004.

While assessing risks on the basis of enormous amounts of data on natural disasters they have accumulated over many years to properly determine insurance premiums and other underwriting terms, property and casualty insurance companies set aside sufficient catastrophe reserves in preparation for insurance payments and make reinsurance arrangements in order to doubly ensure that prompt insurance payments are made to customers. Despite all this, the rising incidence of natural disasters in recent years is having no small impact on their management.

It is now known that the increased incidence of natural disasters is not totally unrelated to global warming, according to the various research conducted by such organizations as ICCP (Intergovernmental Panel on Climate Change) and Meteorological Research Institute of Japan.

For “Adaptation” to and “Mitigation” of Natural Disasters

What can property and casualty insurance companies do to tackle global warming? Sompo Japan responds to global warming with two approaches: “adaptation,” where



Melting of glaciers off the coast of Alaska
©Greenpeace/Beltra

global warming is recognized as unavoidable and society responds to its impact as such, and “mitigation,” which means making efforts to keep the impact of global warming to a minimum.

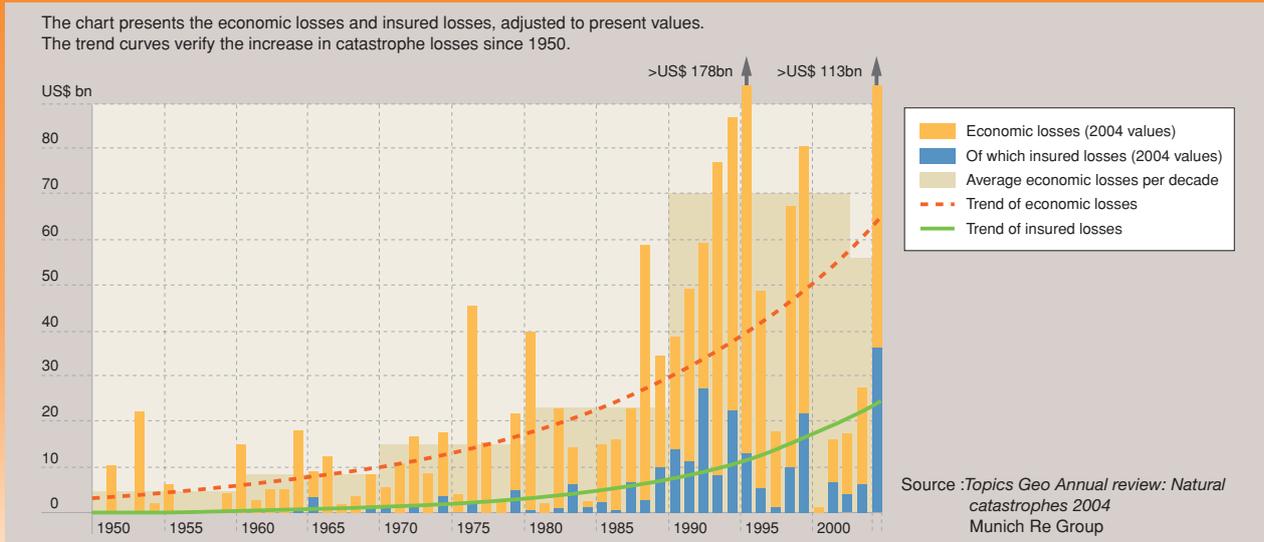
■ “Adaptation” approach

For “adaptation,” the primary mission of property and casualty insurance companies is to secure a sufficient level of solvency and make insurance payments promptly to customers who suffer damage. Paying insurance benefits is not enough, however. Providing the latest information on disaster reduction is also necessary so that customers can avoid damage as much as possible. Sompo Japan Risk Management Inc. (SJRM), a Group company, offers assessment of wind and water disaster risks as part of its risk assessment services to corporate customers, providing them with useful information from the standpoint of disaster reduction.

■ “Mitigation” approach

Various efforts are being undertaken with the “mitigation” approach as well. One of the major pillars of this approach is the company-wide energy-saving campaign dating back to 1992. Under this continuous effort, the company’s emissions of carbon dioxide (CO₂), calculated by tallying the amount of electric power and gas consumption as well as fuels consumed by company vehicles, declined from 66,466 tons in fiscal 2002 to 57,365 tons in fiscal 2003, and further to 52,042 tons in fiscal 2004. These figures indicate a trend toward lower CO₂ emissions. Compared with 1990, a reduction of 16% was

Economic losses and insured losses — Absolute values and long-term trends



achieved for the Head Office building and 37% for the Data Processing Center.

We are also contributing to reducing emissions of greenhouse gases (GHGs) through our core business of offering insurance products. We offer a variety of insurance products and services to this end. The “Eco-Car Discount” offers a 1.5% discount on automobile insurance premiums to support the spread of environmentally friendly cars (eco-cars) such as hybrid or low-emission vehicles. The discount was applied to approximately 3.25 million cars in fiscal 2004. Further, the “ESCO Comprehensive Insurance” covers various risks of energy services companies (ESCOs) which provides comprehensive services to improve energy efficiency. We also provide insurance dedicated to wind power generation companies to compensate a drop in profits resulting from a decline in wind power.

Furthermore, we participate in the Carbon Disclosure Project (CDP), an international effort in collaboration with global institutional investors. Under the CDP, many institutional investors around the world collectively sign a single request for disclosure of information on GHG emissions and send this request to the world’s 500 largest companies in terms of market capitalization (FT500) encouraging corporate efforts to combat global warming. The third CDP questionnaire (CDP3) was sent out in February 2005 on behalf of 143 institutional investors, including Sompo Japan. These institutional investors have a combined US\$20 trillion in assets under their management, representing a significant force in encouraging large companies to take measures to act on global warming.

To Diffuse “Precautionary Principle”

Principle 15 of the Rio Declaration on Environment and Development, adopted at the United Nations Conference on Environment and Development (Earth Summit) held in Rio de Janeiro, Brazil, in 1992, underscores the importance of the “precautionary principle” (also referred to as “precautionary approach”). It states in part: “Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environ-

mental degradation.”

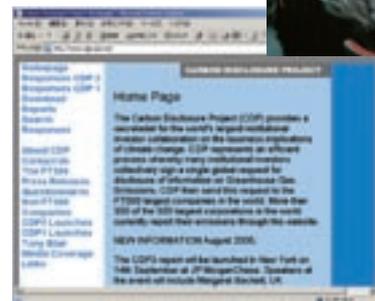
The precautionary principle calls for proactive efforts toward solving environmental problems even when scientific uncertainty remains about them, instead of waiting until full scientific knowledge becomes known. This concept has something in common with the “prevention is better than the cure” idea of insurance. Sompo Japan intends to help further spread the concept of the precautionary principle in Japan.

In 2004, we established the “Study Group on Environmental Risk Management and Precautionary Principle” co-chaired by Dr. Kazuhiro Ueta, Professor of Environmental Economics and Public Finance, Graduate School of Economics, Kyoto University, and Professor Tadashi Otsuka, Environmental Law, Waseda University School of Law. This interdisciplinary research explores the possibility of applying the concept of the precautionary principle to social systems and corporate management in order to cope with global warming and various other environmental risks.

Global warming is not an easy problem to solve. This is precisely the reason why we all should continue to do what we can from our respective positions, however small a step it may be. Sompo Japan will pursue its innovative challenge.



Study Group on Environmental Risk Management and Precautionary Principle



web Carbon Disclosure Project
www.cdproject.net

In Pursuit of a Better Society through Financial Markets

— Development of Socially Responsible Investment (SRI)



Brochures for SRI funds



SRI in the Global Spotlight

The concept of socially responsible investment (SRI) is drawing increasingly keen attention.

The massive waves of SRI that originated in the United States and Europe are spreading to the Asia-Pacific region. SRI funds, created one after another in countries like South Korea, Taiwan, Malaysia, India, as well as Japan, have been supported by investors.

The changing criteria for the evaluation of companies can be cited as one reason for the broadening support for SRI. Previously, a profitable company with a favorable financial profile was regarded as a “good company.” In recent years, however, people have come to define a “good company” as a company that not only creates economic value but also creates environmental and social value, or more specifically, a company that not only earns profit but pays heed to the environment, contributes to communities, respects human rights and makes efforts to solve social problems while maintaining dialogue with multiple stakeholders. In fact, the new class of investors who want to invest in such a company fulfilling their CSR has also been steadily gaining in numbers.

As a Proactive Promoter of SRI

Property and casualty insurance companies also do not stand apart from the big tide of CSR. In addition to their own proactive efforts for CSR, they are being called upon as financial institutions to support companies that work on CSR through the promotion of SRI.

In prompt response to such demands of society, the Sampo Japan Group is currently marketing two SRI funds —“Sampo Japan Green Open, called ‘*Buna no Mori*’ (Beech Forest)” and “Sampo Japan SRI Open, called ‘*Mirai no Chikara*’ (Empowering Our Common Future).”

Eco-fund “Beech Forest”

The eco-fund “Beech Forest” is the investment trust product that invests in companies undertaking business activities while paying due heed to the environment. After about two years of research, the Beech Forest eco-fund was launched in September 1999 with the purpose of supporting companies that are making proactive efforts to solve environmental problems by purchasing their equity shares. Sold through a range of financial institutions, including Sampo Japan as well as other securities firms, banks, industrial banks, and credit associations. The balance of the eco-fund’s net assets reached ¥12 billion as of May 31, 2005. The fund’s performance has also been firm and steady, outperforming TOPIX (Tokyo Stock Price Index) by 9.72% since its establishment. Standard & Poor’s and other rating agencies also value the fund highly as a product qualified for a defined contribution pension plan (the Japanese version of a 401k plan).

People at distribution outlets point out that unlike conventional investment trusts, many purchasers of this eco-fund are female and people of learning and experience. More recently, some small- and medium-sized business owners made large-lot investments in the fund and some companies also added the Beech Forest eco-fund to the lineup of financial products for their defined contribution pension schemes. Behind these developments, there seems to be empathy for the concept of giving consideration to the global environment.

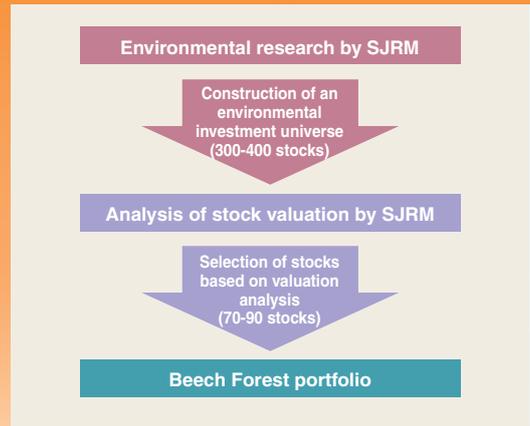
The Sampo Japan Group is giving importance to communication on the environment in order to respond to investors’ concerns about the environment. Our weekly and monthly reports cover excellent environment-related activities by companies incorporated in the fund. We publish the quarterly Beech Forest Newsletters, which carry the

Performance of the eco-fund “Beech Forest” (Compared to TOPIX)

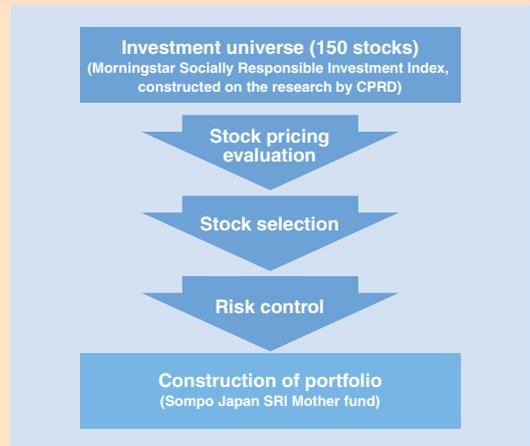


*The performance of the fund includes 500 yen of dividends on July 17, 2000.
 *The unit price of the fund and TOPIX are indexed as 10,000 on the date of inception.

**Eco-fund “Beech Forest”
 Process for constructing portfolio**



**SRI fund “Empowering Our Common Future”
 Process for selecting stock**



Principal Criteria for Environmental Screening for the eco-fund “Beech Forest”

Development of Environmental Management	<ul style="list-style-type: none"> • Environmental policy • Commitment by top management • Organizational structure • Environmental management
Disclosure of Environmental Information and Communication	<ul style="list-style-type: none"> • Environmental reporting • Disclosure of environmental performance • Communication with stakeholders • Corporate citizenship activities
Reduction of Environmental Load and Improvement of Eco-efficiency	<ul style="list-style-type: none"> • Reduction of environmental impact at the manufacturing process • Development of “green” products • Life cycle assessment • Safely management of chemicals • Environmental technology • Reduction of resources and energy consumption

latest information concerning the environment, and make it available via the website of Sompo Japan Asset Management, Co., Ltd. (SJAM) and through financial institutions that sell the fund. We also provide companies that respond to our questionnaire surveys conducted for an analysis of the degree of environmental management with analysis materials useful in the promotion of environmental management, including the overall survey results and the intra-industry relative level of respondents’ efforts on each item in the questionnaire.

At the time of the launch of the Beech Forest eco-fund, SJAM, which established and manages the fund, also clarified its proactive stance on solving environmental problems as its key corporate management goal in its mission statement introduced in April 2004.

SRI Fund “Empowering Our Common Future”

The “Empowering Our Common Future” is a new SRI fund launched in March 2005. A project team, consisting of staffs from Group companies, brought this fund to the market after nearly 10 months of discussion. Just like the eco-fund “Beech Forest”, we would like to nurture the new fund with care as a fund to support companies that are working on a better future, as indicated by the fund’s nickname, “the Empowering Our Common Future.”

This SRI fund invests in companies selected by SJAM

based on an analysis of intrinsic investment values of share prices from among companies included in the Morningstar Socially Responsible Investment Index. The Center for Public Resources Development (CPRD), a Tokyo-based nonprofit organization, makes a comprehensive evaluation of companies for this fund in terms of CSR, namely governance/accountability, market, employment, social contribution, and the environment. CPRD Executive Director Sachiko Kishimoto, in a presentation for Sompo Japan employees, cited the following as purposes of an NPO working for the promotion of SRI: “Encourage a corporation to fulfill its social responsibility and become a ‘good company’ that works for society building through investment behavior,” “Create opportunities for citizens to participate in, through investment in the promotion of the sociality of corporations and society building,” and “Facilitate the enhancement of the sociality of financial enterprises through SRI development.” These purposes are consistent with the concept with which the Sompo Japan Group developed the SRI fund.

The Sompo Japan Group will continue to address various CSR issues and offer insurance and financial products and services that will contribute to realize sustainable society.

Mainstreaming CSR

Sompo Japan Management Philosophy

As a comprehensive service provider group for risk and asset management, we carry out business under the following management philosophy.

- * We take pride in offering excellent risk "solutions" to individuals and corporations.
- * By offering services that always exceed customer expectations, we create shareholder value and grow together with our employees.
- * We will continue to be a high-profile Japanese corporate group, with progressive strategies and dynamic business activities.

Sompo Japan Policy: The Five S's

Service, not sales

We will supply the best coverage for the client's particular situation and the finest service in the event of need.

Shareholder value

We will identify specific measures to increase shareholder value, and put them into practice.

Set and stick to high targets

We will take bold action to keep ahead, refusing to be deterred by any obstacle, to meet the high targets we set for ourselves.

Stimulating work environment

We will create a workplace that is open and filled with stimulation, inspiring each other to improve.

Spirit of fairness

We will act with a spirit of fairness and integrity based on high ethical standards and rational judgment.

The "Declaration of Kando Sozo" (Pledge to Inspire)

Sompo Japan has been engaged in activities to integrate CSR into the backbone of corporate management as an integral part of its management philosophy. For a property and casualty insurer that offers intangible products and services to customers in the form of insurance, CSR is the very process of constantly asking ourselves how we can enhance the quality of a "sense of security" generated by employees, who actually provide our services, and how we can respond to the expectations of customers and other diverse stakeholders.

The "Declaration of Kando Sozo" (Pledge to Inspire), the company-wide campaign we have been undertaking since fiscal 2004, is also part of our activities to integrate CSR into our management strategy. It is founded on the concept of the "virtuous cycle of CS (customer satisfaction) and ES (employee satisfaction)." When individual employees, always thinking over their day-to-day work with customer satisfaction in mind, work with vigor and high morale to not only "satisfy" but to "inspire" customers, we can expect to be recognized and supported by customers and a broad range of other stakeholders. That in turn make employees feel more proud of the company

they work for, leading to a higher degree of employee satisfaction. We believe that efforts to promote CSR activities and the company-wide campaign "Pledge to Inspire" will integrally help enhance the quality of management and ultimately lead us to the fulfillment of our management philosophy: "By offering services that always exceed customer expectations, we create shareholder value and grow together with our employees."

Another effort toward mainstreaming CSR in our management strategy, started in fiscal 2004, is the setting of CSR objectives and targets in the management program established by divisions of the corporate headquarters for each fiscal year, and implementation and monitoring according to the PDCA (plan-do-check-action) cycle of management system. One example of these nascent endeavors is the upgrading of our goods purchase and procurement policy from the "Green Procurement" focusing on environmental consideration to the "Socially Responsible Procurement" that also takes into account human rights and other social aspects. By incorporating these objectives and targets into the existing system, we ensure the progress and accomplishment of the integration.

CSR management of Sompo Japan



Engaging with stakeholders

Enhancement of CSR Communication

Since the establishment of the Department of Global Environment in 1992, the first such unit at a Japanese financial institution, Sompo Japan has continued to think about how a financial institution can contribute to the realization of a sustainable and more inclusive society. We believe that continued interactive communication and building partnership with the wide range of our stakeholders is indispensable for pursuing CSR.

In fiscal 2004, our President Hirano asked all of our 38 executive officers to submit "CSR Management Proposals," reporting on the current status of, as well as how to develop, CSR initiatives of their respective responsibility.

Moreover, since 2000, we have been conducting "CSR literacy training" for all employees as they are the driving force of CSR initiatives in daily business operations. Also, in the CSR training for new recruits, we give a full-day training program so that they can understand the importance of CSR activities, instead of keeping it only as theory. The program consists of group discussions, the participatory learning of sign language, and physical impairment experiences such as the use of wheelchairs.

Furthermore, a "Stakeholders Dialog" is held once a year since fiscal 2001, inviting multiple stakeholders, including NGOs, the general public, business people, students, and employees to participate. In February 2005, we held the "CSR Dialog," focusing more on employee participation. A total of 70 employees gathered from the

branch offices around Japan and discussed the current state and future possibilities of our CSR activities.

As for communication with external stakeholders, we continued dialog on CSR issues through the web-based "CSR Consortium," which conducts dialog and opinion exchange between multiple stakeholders and our staff. The site opened in September 2003 and had 54,600 page views by the end of August 2005. In November 2005, we have upgraded this channel of communication to the "Sompo Japan CSR Communication Site," a new system designed to further deepen dialog with stakeholders.

The "CSR Communication Report," an annual sustainability report, is a "management tool" to introduce Sompo Japan's CSR initiatives. Published since 1998, we regard the Report not just as a means to fulfill our accountability and making highly transparent disclosure of information, but also as a tool for reacting to the expectations and demands on Sompo Japan through dialog with stakeholders within and outside the company. The areas requiring further improvements are identified and follow-up actions are consequently taken. The direct involvement of employees from various divisions in the preparation of CSR reports provides them with an opportunity to verify the extent of the deepening of CSR activities by looking into whether they are responding adequately to the demands of stakeholders and whether their activities are spiraling upward compared with the preceding year. The Sompo Japan CSR Report is functioning as the core management tool to enhance CSR activities as part of our corporate culture.



Physical impairment and assisting experience at the one-day CSR training for new recruits



CSR Dialog with employees



web CSR Communication Site (in Japanese only)
www.sompo-japan.stadiums.jp



Increasing management transparency

Governance framework

As a “comprehensive service provider group for risk and asset management,” Sompo Japan aims to respond rapidly to changes in the business environment, while also enhancing profitability. At the same time, we strive for excellence in specialized risk management based on the unique characteristics of the insurance business, and work to ensure sound corporate governance in a way that increases management transparency.

Also, Sompo Japan has adopted an auditing system as part of its corporate governance system. In June 2001, we introduced an executive officer system, and clarified the roles of directors and operating officers.

The Board of Directors is responsible for decision-making on important issues relating to corporate management, and also has a supervisory role over the executive functions of directors and operating officers. As of the end of June 2005, there were 11 directors, and by empowering the operating officers to focus their attention on the executive function, the Board of Directors has more flexibility in its meetings, enabling it to carry out decision making in a timely manner.

Following the basic policy of management as determined by the Board of Directors, the Senior Executive Committee discusses company-wide operational policies and important matters relating to execution of business as well as important matters relating to risk management.

Directly under the control of the Board of Directors there are two committees: the Compliance Committee (established June 1999), consisting of 17 members, including external experts (one lawyer) and the Personnel Committee (established June 2003), consisting of eight members, including three external experts. Through this arrangement, we aim for strict regulatory compliance and a high level of transparency in executive personnel changes.

Sompo Japan has five auditors, including three external auditors (outside statutory auditors), and the Auditors’ Office includes dedicated staff who support functions such as the operation of the Board of Auditors.

Ensuring effectiveness of the governance system

For a business to grow in a sustainable way, besides having a dynamic and effective structure for the execution of business, it is also important to have rigorous and company-wide compliance with regulations and rules, proper assessment and control of underwriting and asset investment risks, and an independent internal auditing system. Sompo Japan has established an independent and specialized body for each of these functions: the Compliance Department, the Risk Management Department, and the Internal Audit Department. We aim to ensure that our internal control system is effective, and ensure the independence of these functions by preventing board members on any one of these three committees from serving concurrently in profit-generating business units.

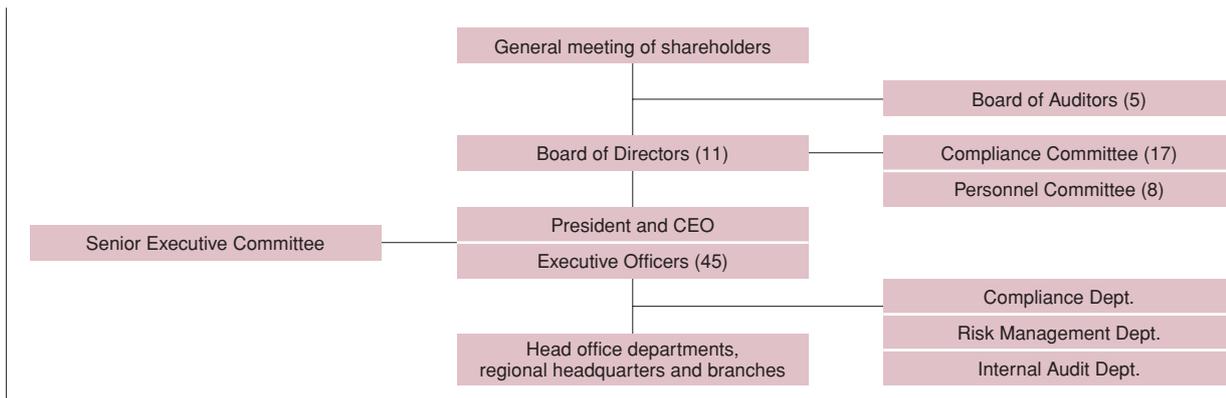
Enhancing the risk management system

Sompo Japan has formulated its basic policies on risk management into its General Risk Management Rules, and classifies risks that must be managed into underwriting risk, asset investment risk, liquidity risk, and operational risk. We determine risk management policies and the responsible department depending on the features of the risk. In addition, we have established the Risk Management Department as a specialized department to manage all types of risk, in an overarching and integrated manner. On a regular basis, it reports to the Board of Directors regarding the status of each type of risk.

Internal Auditing

The Internal Audit Department is responsible for verifying and evaluating the appropriateness, effectiveness and efficiency of the execution of business in each department of the company, and for giving guidance and suggestions on how to identify and resolve issues of concern. This department is responsible for auditing the sales departments, claims departments, headquarters departments, consolidated companies and cross-shareholding subsidiaries in Japan, as well as foreign subsidiaries, and it reports its auditing results regularly to the Board of Directors.

Sompo Japan’s governance framework



*As of end fiscal 2004. No. of members are in brackets.

To be a corporation of high integrity

Compliance and internal management

Compliance with laws and regulations must be at the heart of corporate governance. Aiming to be a company that is high in integrity, we have established systems to promote compliance, and aim to advance the compliance level of the entire Sampo Japan Group.

The Compliance Committee, the key body for promoting compliance, was established in 1999 under the direct control of the the Board of Directors, and is responsible for developing proposals to reinforce compliance for the entire company, as well as to monitor implementation of the plan. The Sampo Japan Compliance Code was formulated in 1999 as the highest of all company regulations, and as a basic standard to which all executives and employees of the company must respect (revised in 2002 when Sampo Japan was established).

Every fiscal year, the Board of Directors adopts a proposal to promote compliance, which defines the basic policy of the company and entire plan to execute. Based on this plan, each department and Group company needs to prepare its own implementation plans, and try to execute their plans completely.

The basic policies for fiscal 2005 are as follows:

- (1) ensuring self-driven, self-disciplined action:
- (2) promoting compliance throughout the entire Sampo Japan Group:
- (3) reinforcing compliance of our insurance agents.

The Compliance Department has the responsibility for promoting the plan. A Compliance Promotion Officer has been appointed at the head office and at regional headquarters and branches nationwide, and each location prepares its own implementation plans, and conducts its own training activities as well as problem identification, solving, and prevention. In order to ensure a commitment to compliance in sales departments, in fiscal 2004 Sampo Japan established the Agency Administrative Support Department, responsible to oversee the compliance in

insurance soliciting and contracting, and staff have been assigned to this task in each local branch. In addition, we have set up a Compliance Hotline to resolve any concerns that arise.

Training programs to advance compliance awareness

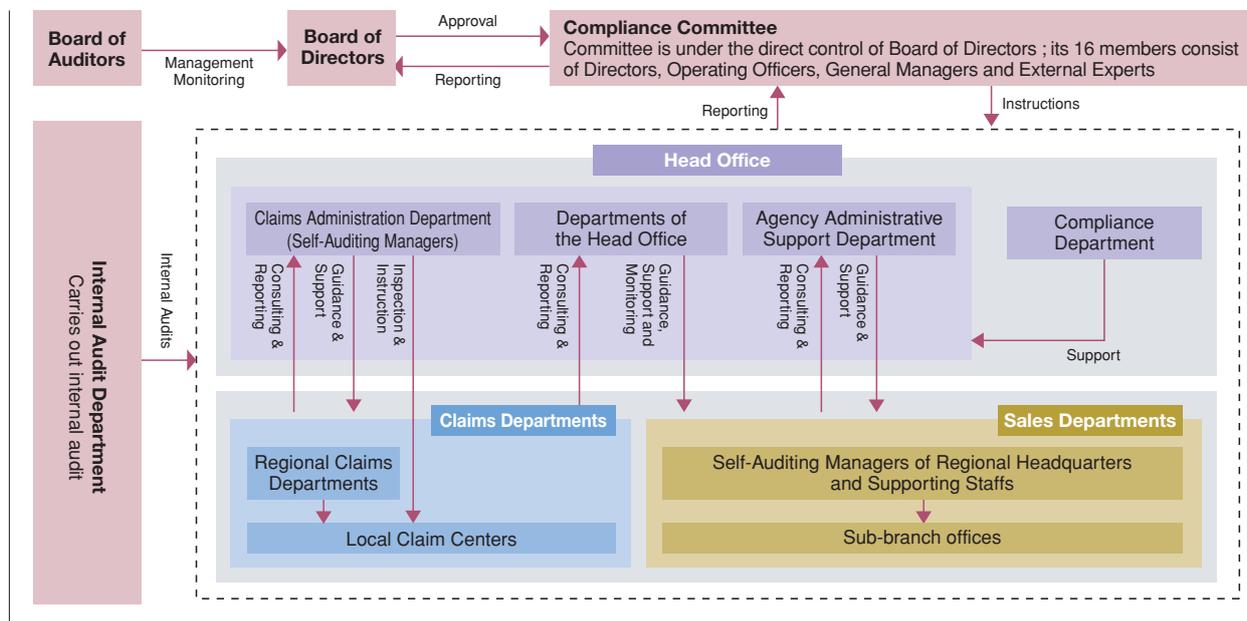
An awareness of compliance issues will not spread throughout an organization simply by establishing dedicated offices and internal regulations. Under the motto “Self-Driven, Self-Disciplined” we are implementing training and self-development programs adapted to the needs of each workplace, and through this aiming to enhance awareness of compliance issues. The executive officers, including the president are showing a clear leadership, delivering the messages to all employees and agents. The compliance-related criteria are also incorporated in employee performance evaluation. Employees take in-house training on compliance at least four times per year. Starting in fiscal 2004, we have also included trainings based on workplace case studies. All 15,000 employees and executives including the president take an in-house exam. Every person must pass the exam each year, so re-examination is required until passing it.

We have also developed various tools to promote compliance, including a handbook containing the Sampo Japan Compliance Code and excerpts of relevant laws and regulations.

In advance of the April, 2005, full entry into force of Japan’s Personal Information Protection Law, in February 2005 we formulated the privacy policy Sampo Japan Privacy Statement which sets forth our basic stance on this issue. We also revised all related company regulations, and strengthened rules for information management and disclosure.

In addition, to ensure that all local Sampo Japan agents can always act with a constant awareness of information security and the risk of information leaks, we conduct manual-based training for agents.

Internal management system





We not only support customers with their risk management and respond rapidly when accidents or disasters occur, but have also started initiatives to help prevent accidents by using our expertise and extensive resources of accumulated data on accidents. Through dialog with our customers, we will continue to evolve our business.

Part 1

For Our Customers

Utilizing expertise for customers' risk management

Risk management and CSR

The corporate environment is in the midst of major change, with the consolidation of global production and logistics, increasing interdependency in the supply chain, and, in Japan, amendments to the Commercial Code and the introduction of international accounting standards. We are in an era when the way a corporation responds to a wide range of risks can significantly affect corporate value—risks ranging from natural disasters, such as earthquakes and typhoons, to fires and accidents, personal information leaks, regulatory violations, product liability, network failure and even takeover risks. Sompo Japan Risk Management Co. (SJRM) offers the best solutions to corporations by making use of its expertise with the quantification of risk—expertise that it has accumulated over many years in the insurance industry.

The company has developed a CSR Risk Management Assessment Program for small- and medium-sized enterprises that are facing a growing need to address CSR issues. In January 2005 SJRM launched this corporate assessment and consulting service, which begins with about 90 questions on CSR-related initiatives.

Furthermore, with the full entry into force of Japan's Personal Information Protection Law in April 2005, any corporations conducting business in Japan must now pay serious attention to personal information security. More and more companies are seeking Privacy Mark certification or other ways that indicate to suppliers, consumers, and other stakeholders that the company has put into place the proper measures to protect personal information. SJRM is also putting considerable effort into consulting for companies seeking certification or verification of information security. SJRM had completed about 40 consulting contracts and more than 150 related seminars by the end of July 2005.

To avoid and minimize risk from large disasters

In recent years large-scale disasters have been occurring more frequently in many parts of the world. In response, many companies have a growing interest in "business continuity management" (BCM), which relates to corporate efforts for comprehensive management to ensure the fastest possible recovery and continuity of business after an accident or disaster.

For example, companies need to prepare appropriate recovery plans and alternative production plans, and to create organizational arrangements for risk management in order to ensure business continuity—not only for their own business sites but also their parts supply and entire supply chain, as well as the development and manufacturing of products. These plans are based on scenarios of the extent of earthquake impacts and the breakdown of infrastructure, possibilities that could present the greatest risk of production stoppage for corporations that have manufacturing bases in Japan. SJRM launched its BCM consulting services in August 2004.

For the well-being of customers

Healthcare support services for corporate health insurance system

Sompo Japan offers a multitude of services that take advantage of its expertise as an integrated Group that deals with risk, in order to support the health of its customers, and contribute to a better quality of life (QOL) for the greatest number of people.

An example is our fee-based "Health Data Analysis Service" that makes use of Sompo Japan's statistical and mathematical techniques to analyze various kinds of data in the possession of corporate health insurance system (data on health check-ups and medical costs, etc.).

We launched a business tie-up with Omron Healthcare Inc., in April 2003, to jointly offer a lifestyle-related disease prevention program as well as a health promotion support service. Further, in order to respond to the growing needs for healthcare-related services, the two companies jointly established a venture company, Healthcare Frontier Japan Inc., in October 2005, specializing in health promotion and disease prevention services.



Mental health support for corporate clients

In collaboration with specialized institutions, Sompo Japan offers comprehensive support for the development and operation of corporate systems relating to employee mental health. Examples of the services offered include consultation, mental health training, stress assessments, and counseling in collaboration with specialized institutions.

We also offer a variety of seminars (e.g., on mental health, prevention of lifestyle-related illnesses, etc.) that are useful for corporate departments responsible for personnel, welfare, and health management. In fiscal 2004, these seminars were held at eight locations, and a total of 620 persons attended.

Healthcare research

Sompo Japan Research Institute Inc., a think-tank for the Sompo Japan Group, conducts research relating to healthcare and disease management,* and makes its information broadly available, for example, by publishing the Disease Management Reporter, a magazine that introduces the latest information about disease management. The information and knowledge gathered through research is put to use in the development of the healthcare business of the Sompo Japan Group.

* The aim of disease management is to provide high quality healthcare at a low cost by offering specific methodologies to treat various illnesses. It is targeted particularly at patients for chronic illnesses such as diabetes, and the relevant medical professionals.

Working towards reduction and prevention of traffic accidents

Traffic accidents in Japan: The facts

There were 950,000 traffic accidents involving injury in 2004, the highest number on record in Japan. There were 7,358 traffic deaths, a number that is on a declining trend. According to estimates by the General Insurance Association of Japan, economic losses due to traffic accidents, including injury and property damage, amounted to about 3.4 trillion yen in fiscal 2004. In addition, industrial waste and traffic congestion arising from accidents place an enormous burden on the environment. The reduction and prevention of traffic accidents are challenges that cannot be achieved without each member of society doing their part—including corporations, governments, schools, and households, etc.

Sompo Japan deals with over 1.8 million accident claims a year (counting both injury and property damage), and offers a variety of services that utilize accident-related information that we collect and analyze, aiming to reduce and prevent automobile accidents.

For zero automobile accidents: —Safe-Driving Campaigns

Traffic accidents that occur in the course of doing business not only have direct impacts such as damage to vehicles and costs of compensation, but also indirect impacts such as the loss of public trust and damage to the corporate image. Sompo Japan is running Safe-Driving Campaigns in collaboration with its corporate clients in order to help them reduce the number of automobile ac-

cidents. We are working to promote accident prevention activities in a comprehensive way. Each year, we work with about 80 companies to conduct driver assessments, hazard prediction training, and safe-driving education, and we provide educational materials. All these activities are based on four steps (situation analysis, planning of countermeasures, implementation, and progress check/improvement). One trucking firm that utilized our accident analysis results and implemented accident prevention activities succeeded in reducing the number of accidents from 86 to 6 per year, over six years, and reduced annual insurance premiums by about 30 million yen.

In addition, on the Sompo Japan website, under a special “Traffic Safety” section, we have a Traffic Accident Blackspots Map that shows specific locations where people need to be more careful while driving or walking, and a section where users can assess their driving styles and ability to anticipate hazards. These are based on accident-related information that we have accumulated.

Expanded coverage that promotes safe-driving

It is well known that an extremely effective way to reduce the number of accidents is to re-educate drivers who have caused automobile accidents in the past. In June 2004, we established a new Expanded Coverage for the Costs of Safe-Driving Education which will cover the re-education of employees who have caused accidents, as a part of fleet insurance policies (covering 10 or more vehicles) under the commercial-vehicle insurance product “TEN,” which is based on risk-differentiated premiums that depend on users’ needs.

Traffic accident reduction and prevention services



Online Traffic Accident Blackspots Map
Simply inputting an address, a map shows the locations where traffic accidents happened based on our claims data.

Reducing loss and damages and boosting business efficiency

A web-based customer service: Advanced Electronic Global Insurance System (AEGIS)

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 the occurrence of loss and damages, 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 loss accident management service to corporate customers around the world that allows clients to obtain information about the occurrence of accidents, to manage the process of claims handling, and to analyze the causes of loss and damages, etc. Our AEGIS system is a good example of this type of service, and by March 2005 about 100 corporate clients were making use of this and our other system services.

Under this system, it is possible to access everything in one place on the Internet, including getting support to report an accident and prepare documentation, determining the current status of a claim, and identifying missing documentation, etc. Besides boosting the efficiency of customers' administrative procedures, by analyzing a

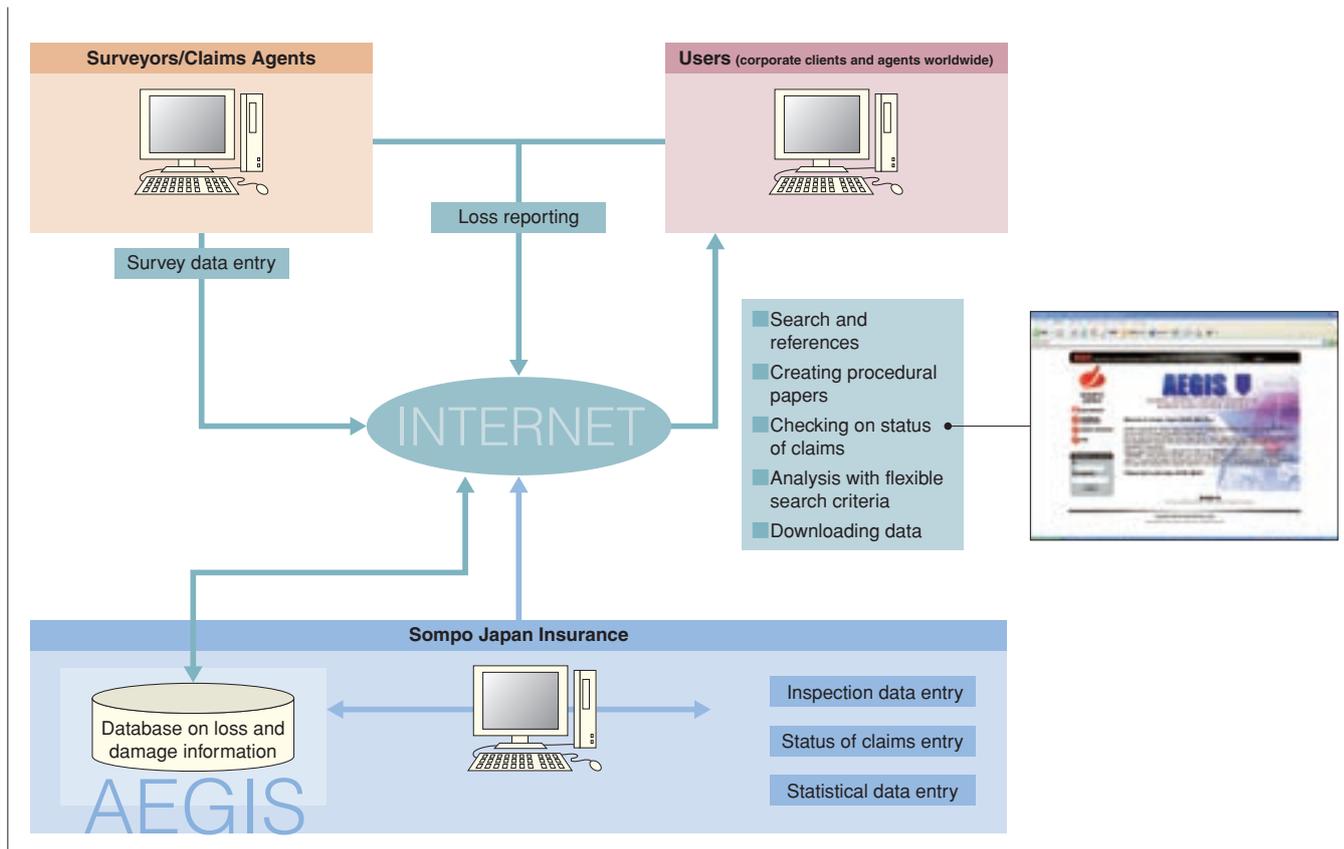
database of past accidents from various angles, this system can also help to identify trends and causes of loss or damages, and can play a role in preventing future loss or damages.

For example, when this system is used in a transportation logistics business, it enables Sompo Japan to share information with customers about the most common locations and kinds of loss, what causes damage, and help customers consider how to make improvements. This all is 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 position and status of damage, etc.

Enhancing the strategy on insurance systems patent

To enable corporate clients to use our value-added, original web-based customer services—such as our loss-analysis systems based on information technologies—smoothly and over the long term, at their offices around the world, it is important to establish and maintain the proper legal environment for use, including patents. Sompo Japan has been making an effort to acquire domestic and international patents for the web-based customer services it offers to customers, and succeeded in registering a business patent from the U.S. Patent and Trademark Office in December 2004 for one of the system services now in use. We have also submitted a patent application for AEGIS.

Structure of the AEGIS System



Transforming customer feedback into our strength

High quality customer services

We believe that the voices of customers are, and will always be a precious driving force for Sampo Japan. The feedback comes via many routes, including not only our insurance agents, local offices and branches, claims departments, the Customer Center, and our website. Feedback is analyzed, shared and used to improve our products and services.

Our Customer Center, which fields about 40% of all the inquiries we receive from customers, has 150 dedicated operators who respond to inquiries from around the country, handle after-hours changes in insurance policies, reply to inquiries received through our website, and answer requests for documents, etc. As fiscal 2004 witnessed a particularly large number of natural disasters such as earthquakes and typhoons, the Customer Center received numbers of inquiries about how to deal with disasters, as well as about details and applications for earthquake insurance, and the staff worked their best to promptly respond.

During the first half of 2006, we will open a large call center in Saga, Japan, which will provide service 365 days a year, including Sundays and holidays. We are working closely with the local government to promote employing more women and persons with disabilities at this call center.

Voice of Customer Database

Besides responding rapidly and appropriately to opinions and requests from our customers, we have established a Voice of Customer Database on the company-wide intranet, with the aim of incorporating this feedback into our daily operations. Executives and related departments are able to share information in a timely manner and are using it to prevent recurrences of problems and to improve service. In addition, the project team for *Kando Sozo* (Pledge to Inspire), our company-wide campaign that started in fiscal 2004, is analyzing the database to identify issues that need improving, and proposing business improvements and service upgrades for head office departments and management.

Examples of service improvements made from customer feedback



request

"It's difficult to find out about the payment schedule for a refund of premiums after canceling a policy."

improvement

We clarified the situation by adding an estimated refund payment date in the documents sent to customers.



request

"There's no way for customers with a hearing disability to make emergency contact with the company if they are involved in an automobile accident."

improvement

To ensure the accessible services for customers with hearing- or speech-difficulties, we launched a fax-based claims service that runs 24 hours a day, 365 days a year, and a 365 day a year service for customers who want to endorse their policies.



Swift and accurate claims handling services

To respond in the event that a customer has an accident, we have about 7,400 expert staff at claims processing centers in 229 locations nationwide who provide prompt and proper support. In addition, with Clover Support, a core computer system in our claims departments, since January 2005 we have had in place a system that supports claims handling on all our insurance products and enables centralized and online processing of claims—from the first customer contact through claims process management, until the insurance payment. Through this, we have sharply reduced the time required for insurance payments by as much as 30%, and at the same time, from any sales office nationwide we have real-time access to information for customer inquiries about claims processing.

Everyday we listen to customer comments which we analyze to make improvements to our business. We listen to, and will always continue to listen to our customers in order to offer products and services that not only satisfy our customers but inspire them.



Kiyotaka Tsukigi, Quality Management Group, Corporate Planning Department

Customer related figures (fiscal 2004 data, unless otherwise indicated)

Products and services

▼ Information security management

40 consultations / 150 seminars

▼ Traffic safety

1.8 million traffic accidents dealt with
Safe-driving campaign for 80 companies
New expanded coverage for the costs of safe-driving education" since **June 2004**

▼ Web-based global insurance and loss prevention service (AEGIS system)

100 companies introduced by the end of FY2004
U.S. patent registered in **December 2004**

▼ Seminars for corporate healthcare

8 locations / 620 participants

▼ "ONE-do", risk-segmented premium automobile insurance

4.64 million contracts

▼ [off!], web sales inclusive overseas travel insurance

1 million contracts
(cumulative since its launch in July 2002)

▼ "Dr. Japan", lifelong hospitalization and medical insurance

160,000 contracts
(cumulative since its launch in July 2004)

Claims handling and customer relations

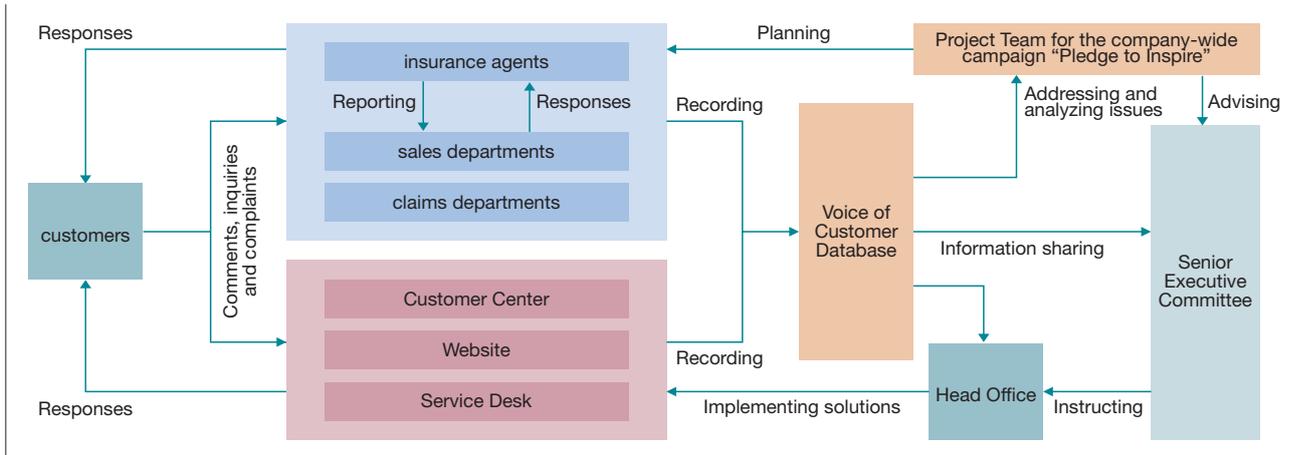
▼ claims handling departments

229 locations / 7,400 staff

▼ customer center (hotline)

150 staff

Reflecting customers' feedback



With our business partners

Building trust with our agents and working together

At present almost all property and casualty insurance in Japan is procured by insurance agents. Based on insurance agency agreement with property and casualty insurance companies, the insurance agents sell insurance products to customers. They have wide range of roles including collecting premiums, providing claims support and consulting on insurance coverage. They all have close contact at the local level, and is a pivot to link the insurance companies with the customers.

Sompo Japan has 63,385 local agents nationwide in Japan (as of end of March 2005) working as valued business partners. There are two types of agents, "independent insurance agents," which conduct no other business than as an insurance agency, and "associate insurance agents," which offer insurance as a part of their main business activities, as in the case of car dealerships, car repair services, gas stations, general companies, and financial institutions, etc.

In the midst of the growing diversity of insurance products resulting from liberalization of Japan's financial services sector as well as dramatic changes in Japanese

society, with its declining birthrate and the graying of society, property and casualty insurance agents are being counted upon to be able to provide consulting services so that they can offer insurance products that will comprehensively cover the risks faced by their customers. The agents need to have a wide range of knowledge and information-gathering ability, not only about products but also about legislation and trends in the financial market. Sompo Japan offers a variety of support for its agents; for example, by providing educational programs and by providing original IT support systems.

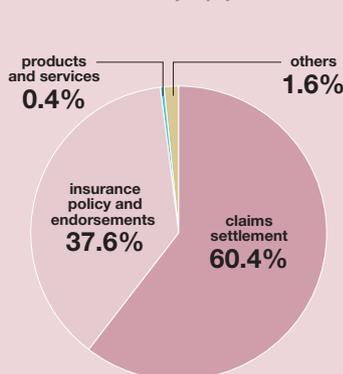
To be a most trusted local agents — Message from the Chairman of J-SA

To accomplish our aim to be the most trusted agent in our local community, we not only ensure that we are in full compliance with regulations, but also strive to maintain close communication with customers, in order to offer customized consultation and advice for risk management. We also believe in the importance of contributing to the local community through volunteer activities. We will continue to work in close partnership with Sompo Japan in order to offer high quality insurance services and products.

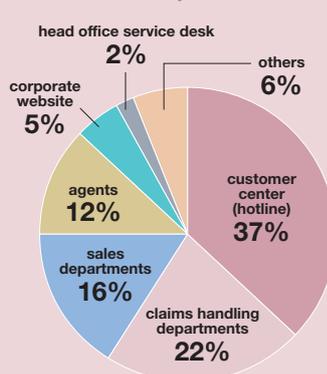


Mr. Akira Gyoda, President of Gyoda Ltd.

Customers feedback by inquiry content



Customers feedback by communication channel



Number of Agents (as of March 31, 2005)

Total 63,385

Agent networks

J-SA (independent agents under exclusive contract) 2,588 members

AIR-Japan (agents with garage and automobile business) 3,509 members

JPANG (independent agents specializing in life insurance) 424 members

...likely
...years
...insurance
...of their
...of the
...companies.

Our business environment is changing dramatically with the rapid pace of globalization, deregulation, financial sector liberalization and so on. Property and casualty insurance companies are facing rising expectations and demands from shareholders and investors, regarding their management strategies and business activities.

Through active communication, Sompo Japan assesses market needs and aims to maximize corporate value with a free thinking approach and by constantly challenging itself to grow.

Part 2

For Shareholders and Investors

Maintaining accountability and maximizing corporate value

Communication with shareholders

Our general meeting of shareholders in June every year uses an “investor relations”(IR) style and we take many steps to ensure that the greatest number of shareholders can understand the business developments of Sampo Japan. For example, we send the meeting notice well before the legally-required two-week advance notice (in 2005 we sent it three weeks early), so that shareholders can have adequate time to consider the agenda items. Since 2004, we have used an Internet-based voting system and we post the notice of meeting and notice of resolutions on our website the same day as we send them by mail.

After the most recent general meeting, the “Annual Report” that included an overview of Sampo Japan’s operations in fiscal 2004, financial reports and the management strategy for fiscal 2005, were sent to all shareholders and posted on our website.

Proactive investor relations in Japan and overseas

We have been actively expanding our investor relations activities since IR Office was established in 1999. The needs of shareholders and investors are becoming more sophisticated and diverse. To help them better understand Sampo Japan and the entire insurance industry, we put considerable effort into two-way communications which includes involvement of management to share the voice of capital markets. IR activities create valuable opportunities to receive constructive advice from stakeholders, and in order to keep driving management forward, we will continue to enhance these activities.

In addition, as Japan’s long-held custom of corporate cross share holding continues to unwind, the presence of overseas investors is increasingly felt in the Japanese stock market. Sampo Japan, having been aware of this structural change, was a forerunner in the Japanese insurance industry when it started active IR activities overseas. In recent years, in addition to Europe and North America, we have expanded our visits to the Asian and Middle East

region in an effort to enhance our continuous communications with stakeholders. These meetings, which we conduct over 200 times a year in Japan and overseas, are not simply for reporting basic financial indicators but also for top executives to explain our management strategy.

Enhancing the IR website

The IR section of the Sampo Japan website is designed with the concept of being “easy to understand for individual investors, and easy to use for institutional investors and analysts.” Through this site we provide timely and accurate information on financial reports and financial conditions, and share prices, etc., in both English and Japanese.



web IR

www.sampo-japan.co.jp/english/engl003.html

Sampo Japan's strengths are its product development capability that keeps it ahead of the times, its sales base of about 63,000 agents nationwide, its prompt and accurate claims handling network and IT support capability that make everything else possible. In the future, we will continue to boost efficiency in the management of our core business of property and casualty insurance, while responding to diverse customer needs such as for life insurance and defined-contribution pension plans and expanding new business.



Atsushi Mizuguchi, Head of Investor Relations Office

Socially Responsible Investment (SRI) Indices

SRI, examining corporate financial standing as well as its environmental and social efforts, has been growing in global financial markets. Sampo Japan is the only Japanese insurance company included in the Dow Jones Sustainability Index (DJSI), the largest SRI

stock index, jointly developed by SAM Group Holding AG (Switzerland) and Dow Jones Inc. (U.S.) for six consecutive years. It is also listed in the FTSE4Good Index in the U.K., the Ethibel Sustainability Index (ESI) in Belgium, and MS-SRI in Japan.

Japanese SRI funds or indices in which Sampo Japan's shares were or have been included or nominated (during one year starting from July 2004)

Fund Name	Asset Management Company	Date of Inception
Nikko Eco Fund	Nikko Asset Management	Aug.20, 1999
UBS (JPN) Equity Fund (Eco Japan)	UBS Global Asset Management	Oct. 29, 1999
Eco Partners (Green Wing)	UFJ Partners Asset Management	Jan. 28, 2000
Asahi Life SRI Fund (<i>Asu no Hane</i>)	Asahi Life Asset Management	Sep.28, 2000
Nikko Global Sustainability Fund (GLOBE)	Nikko Asset Management	Oct. 15, 2000
Eco Balance (Sea and Sky)	Sumitomo Mitsui Asset Management	Oct. 31, 2000
UBS Global Equity 40 SRI+	UBS Global Asset Management	Nov. 7, 2003
Fukoku SRI Fund	ShinKin Asset Management	Apr. 27, 2004
Daiwa SRI Fund	Daiwa Asset Management	May.20, 2004





The driving force behind Sompo Japan's CSR activities is its employees.

We have established a range of systems to ensure that our employees can develop their skills in an environment where their individuality and diversity are given the respect they deserve, can maintain the right balance between work and private life, and approach their jobs with enthusiasm. We also make an effort to raise awareness within the company so that these systems function effectively.

Part 3

For Our Employees

A work environment that makes the most of our employees' 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.

In fiscal 2004, at Sompo Japan there was one woman working in management at the managerial level or above. About 100 women were at the deputy-manager level, a management position as defined by the Japanese government work-life balance guideline. In order to increase the number of women in managerial positions, we are planning to introduce affirmative action such as systematic training tailored for female employees' empowerment as part of our personnel system reform.

We are also striving to promote the hiring and retention of persons with disabilities by appointing recruitment liaison officers throughout the country, and advertising openings in public job centers and newspapers, while at the same time making our workplaces "barrier-free". As a result of these efforts, we hired 55 persons with disabilities in fiscal 2004, and in November 2004 achieved the government-prescribed quota of 1.8% of the work force constituting employees with disabilities. However, 21 employees with disabilities left the company between March and May 2005, higher than the usual departure rate, bringing us below the government-prescribed rate since April 2005.

As of May 1, 2005, we employed 224 persons with disabilities (1.78% of our workforce), an increase over the same period last year (1.67%), but this is still below the mandatory employment rate. In fiscal 2005, we shall make every effort to promote the employment of persons with disabilities with the early attainment of the prescribed rate as our initial target.

Ensuring good labor relations

We enjoy excellent labor relations with our employees based on the agreement forged between management and Sompo Japan Insurance Workers Union to which 12,200 of our employees belong.

The company and union hold regular labor-management meetings. Each regional headquarters of the company and local chapter of the union also work to strengthen collaboration between labor and management by meeting to discuss local issues.

● From Sompo Japan Insurance Workers Union

Monitoring management and advocating company policy is an important role of the union as a stakeholder, but in addition to such activities, in fiscal 2004, the union also invited outside organizations to participate in a seminar on CSR trends among Japanese companies, and conducted various other CSR-related activities.

We shall continue to expand the scope of union activities, with the addition of a CSR perspective as an important element.

Fair and open hiring

To ensure that potential employees are able to make informed choices regarding careers at Sompo Japan, we provide comprehensive guidance through our website, seminars and various other means. We employ a rigorous screening procedure that includes interviews for all applicants, and we hire new employees solely on the basis of ability. We also introduced an internship program in fiscal 2001 under which university students from throughout the country are able to gain work experience related to their chosen field of study or career aspirations. In fiscal 2004, 56 students from seven regions participated in this program.

Enhancing employee welfare

Special Holidays

In addition to normal paid holiday, we have introduced a healthcare leave and family care leave up to four days a year. Employees can also take up to one year's leave to look after family members in need of care.

Work-life balance programs

Based on concrete proposals from the Women's Committee and Union, we have enhanced 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.

- Childcare leave (revised July 2004)
Extension of childcare leave to April 30 of the year after a child has reached the age of one, making for effective leave of up to two years.
- Reduced working hours for childcare (launched July 2004)
Employees raising infants can reduce their daily working hours up to three hours each day.
- Rehiring system (revised July 2004)
A system for rehiring former employees under conditions that take their previous experience with the company into consideration.
- Sompo Japan Community Network (launched July 2005)
A human resource registration system developed to

make use of the rich experience of retired employees to stand in for employees using our work-life balance programs. Currently about 4,000 former employees are registered.

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*)
Home purchase support, loan service, condolence and other special contingency payments
- Physical and mental health promotion
Corporate health insurance system, provision of recreation and sports facilities, strict enforcement of company smoking rules
- Company housing
- Asset development
Employee stock ownership plan, asset building savings plan

Occupational accident countermeasures

Our road accident prevention educational program and other preventive measures have resulted in a decline in the number of road accidents occurring while driving company vehicles, the most common type of occupational accident in our company.

Respect for human dignity

Taking our lead from the Universal Declaration of Human Rights, Japan's Law on Promotion of Human Rights Education and Awareness, enacted in 2000, and its Basic Plan, we established our Human Esteem Promotion Headquarters in 2002 to promote a corporate culture that respects human rights, non-discrimination, equal opportunity and healthy work-life-balance.

We are tackling the four issues of respect for human

rights, promotion of health and wellbeing, working hours management, and promotion of gender equality through prompt, consistent decision making with management-level participation, and systematic policies such as employee education. We are also implementing various policies to improve employee satisfaction and create an open and dynamic work environment. In addition to holding twice-yearly human rights training sessions for all employees, we have also set up a Human Rights Hotline for employees seeking advice on human rights issues.

Four themes of the Human Esteem Promotion Headquarters (● : 2004 results, ○ : 2005 targets)

Respect for Human Rights

We rigorously implement our Basic Code of Conduct on Human Rights and human rights education on a continual basis to create work environments in which the diversity of all of our employees is respected.

- Thorough communication of the initiatives of the Human Esteem Promotion Headquarters through training, and review of training format and contents to reflect employee feedback.
- Review of internal operations and internal documentation from personal data protection and other human rights perspectives.
- Thorough communication of the establishment and purpose of the Human Rights Hotline, and hotline operation that ensures the protection of privacy.
- Multi-pronged approach to improving understanding, including the incorporation of sexual harassment and other human rights issues into mandatory intranet-based awareness tests on compliance issues.
- In fiscal 2005, we shall consider developing training programs tailored to the specific environments of different workplaces.

Health & Wellbeing Promotion

To promote employee health and wellbeing, we have been running a Health Development Center in the Head Office building to provide medical examination and consultation services, full post-examination follow-up, and a comprehensive range of health workshops. We also assign an industrial physician or health supervisor to each of our facilities depending on size to provide meticulous medical consultation and health management services.

- We followed up the publication and distribution to all managers of our Manual on Workplace Mental Health in fiscal

2003 with the production of a training video and introduction of training for managers in fiscal 2004.

- In fiscal 2005, we shall seek to further implement thorough follow-up of medical examination findings, and also mental health and other measures designed to maintain and enhance both the physical and emotional wellbeing of our employees.

Working Hours Management

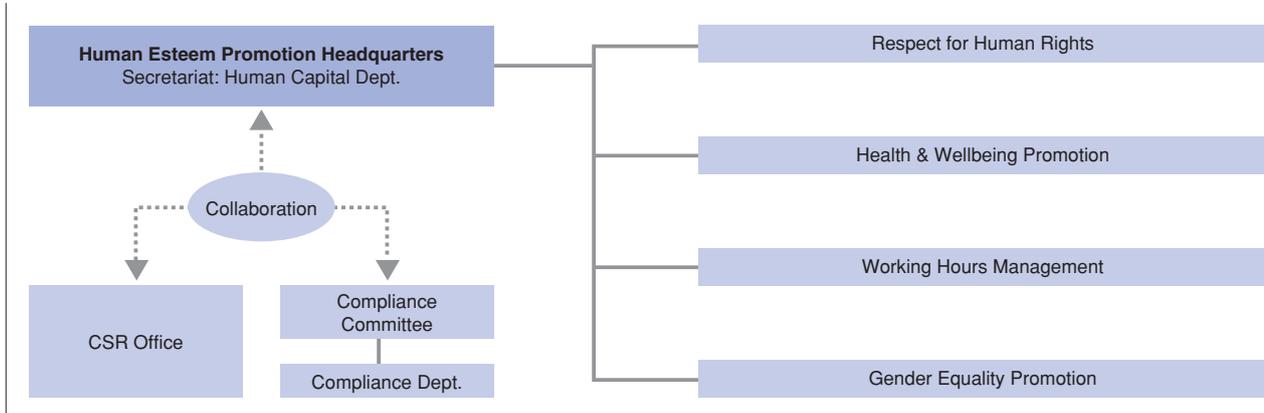
We try to ensure that our employees realize their full potential through ensuring that they find their work rewarding, and are able to make time for maintaining their health and leading fulfilling private lives.

- Implementation of fundamental operational efficiencies, sharing of good practices between workplaces, and other policies aimed at reforming operations, improving productivity, and changing perceptions.
- In fiscal 2004, we set working hours targets and guideline times for leaving the office at the day's end, and also deployed systems for automatic turn-off of all lights at 9 pm in a further 30 company buildings nationwide.
- In fiscal 2005, we shall press ahead with the development of a new discretionary work system and rules, and new mechanisms for managing time.

Gender Equality Promotion

- New and revised support structures for achieving work-life balance based on the opinions of female employees
- Implementation of affirmative action
Details and results can be found on the next page.
- In fiscal 2005, we plan to expand work-life balance initiatives—up to now mainly oriented to female employees—to encompass all employees.

Human Esteem Promotion



Promoting equal opportunities at work

Catering to diverse life and work styles for all

Sompo Japan was the first financial institution in Japan to promote advancement of women and equal opportunity at workplace by establishing a specializing section, the Gender Equality Promotion Group in April 2003.

The Women's Committee and the Company-wide Women's Committee

In May 2002, a Women's Committee was formed to improve employees' awareness and foster a corporate culture that promotes female workers' career development. Furthermore, in fiscal 2003, a Company-wide Women's Committee was established with about 200 members representing all regional offices and branches around Japan. (Members as of July 2005: 380) This Companywide committee works to further spur the company's efforts to promote gender equality through cultivating the opinions and recommendations of employees throughout the country and reflecting such feedback in company policy.

The Women's Committee organized nationwide Gender Equality Promotion workshops in the latter half of fiscal 2004 with the aim of fostering all employees to understand the current developments and status of gender equality within and outside the company. The workshops were held at all 180 branches and sub-branches, and attended by approximately 11,500 employees.

Nationwide Women's Committee Conference

Two two-day Nationwide Women's Committee Conferences were held in October and November 2004. A total of about 160 employees participated in interactive workshops led by outside instructors that proved to be valuable opportunities for participants to discuss their personal goals and expand their network of connections within the company.



Ms. Zeniya, a guest speaker at the Nationwide Women's Committee Conference

As a guest speaker at the November conference, Ms. Miyuki Zeniya, vice-president of Saikyo Bank and the first female director of a Japanese bank, gave a talk about career development and balancing work with private life. Plans for future regional activities were also discussed at the conferences, leading to the organization of independent conferences and seminars at individual branch and regional level.

Tohoku Region "We Conference"

In February 2005, 13 Tohoku Region Women's Committee members held a one-day "We Conference" in Sendai that featured a talk by a top female executive at another company, activity reports by Women's Committee members, group discussions, and ended with a spirited talk on the advancement of women by the company's Tohoku Region managing director. The event, which was attended by over 90 employees, proved to be a great success, one participant commenting that "It gave me a good idea of aims of gender equality promotion," while another remarked that "there are no senior female managers at my workplace, and so the talk by the outside speaker on how she balances work and life while serving as a top manager was very encouraging to me."

Four years has passed since we started gender equality promotion. Our initiative has reached a new phase where we can shift our focus from the advancement of women to all employees striking a healthy work-life balance as equal partners, regardless of their gender. In our fifth year, we are working on new developments with more participation from male employees.



(from the left) Maki Ito, Takashi Yonekawa, and Noriko Akiyama
Gender Equality Promotion Group, Human Capital Department



Tohoku Region "We Conference"

Supporting employee's 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, identifying their strengths, setting work targets, and pursuing career paths of their choice. We seek to nurture employees who are eager to take on new challenges, and we 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. For field-specific training, Sompo Japan's various sections are likened to university faculties, with highly specialized education being provided in each "faculty."

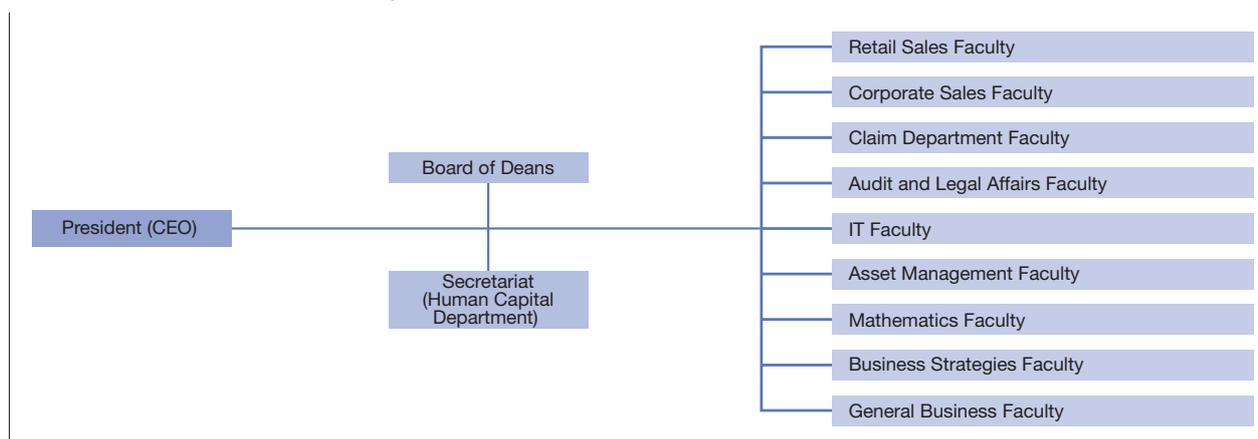
Career development systems

In April 2005, we launched our Career Challenge Stage program for new university graduates joining the company to assist in assignment to departments of their choice, and to enable prospective employees who have been accepted for non-management-track administrative positions 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, 45 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 relocation for a set period of time.

Sompo Japan Professional College



Employees-related figures (fiscal 2004 data, unless otherwise indicated)

Number of employees (as of March 31, 2005)

	Male	Female	Total
Executive officers and auditors	41	0	41
Employees	6,178	5,983	12,161
(Core positions)	5,623	108	5,731
(General positions)	3	5,875	5,878
(Others)	552	0	552
Contracted employees	1,797	203	2,000
Trainees	416	100	516
Total	8,432	6,286	14,718

Employment data (as of March 31, 2005)

Average age	39.4 years
Average length of employment (years)	11.1 years
Average annual salary	7,517,095 yen
Workers union membership	12,200 persons

Employees with disabilities



Recruitment

	FY2002	FY2003	FY2004
New hires	1,197	867	1,020
(new graduates)	565	507	635
(persons in mid-career)	632	360	385
Reemployment	—	—	6
Interns accepted	93	69	56

CSR communication with employees

We proactively communicate with our employees on CSR to encourage them to regard CSR as their own responsibility and act accordingly.

CSR Management Proposals

The president, Hiroshi Hirano, believes that "it is vital for all management level employees to understand CSR as it applies to their positions if Sompo Japan is to further develop its strengths and remedy its weaknesses" He asked to submit all company officers to submit their views on Sompo Japan's CSR activities, commenting on Sompo Japan's strengths and weaknesses, information disclosure, CSR challenges and initiatives within their respective sections, awareness of CSR issues among their staff. A summary of their recommendations was posted on the company intranet to be shared with all employees.

CSR Literacy Training

With the aim of raising awareness of CSR issues among our employees, and encouraging them to incorporate CSR perspective in their day-to-day business activities, we hold CSR Literacy training sessions for all employees every year.

In fiscal 2004, we used an in-house video production and our CSR Communication Report 2004 (an internal report distributed to all employees) as educational materials for discussions held in each workplace based on the opinions submitted by company officers in August. The opinions and recommendations emerging from these discussions were gathered and collated by the CSR Office to contribute to the further enhancement of CSR activities.

August
2004

December
2004

May
2005

February
2005

CSR training for new employees

Every year in April, our new employees receive training in CSR. In fiscal 2005, this training was expanded to fill a whole day, compared with half a day in 2004. A lecture on CSR principles was followed by a CSR Dialog session facilitated by a member of an NPO that involved comparative analysis of the CSR reports of various companies. With the help of a local social welfare council we also held classes using wheelchairs, eye masks, and sign language to provide physical impairment experiences. By encouraging active involvement through such training, we strive to cultivate employees who can think for themselves, show consideration for others, and fulfill their responsibilities to society.

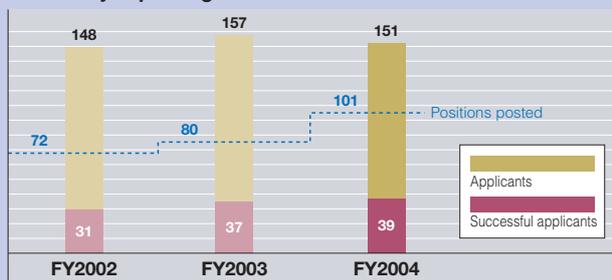


CSR Dialog

In 2002 we started holding a Stakeholder Dialog meeting each year for an open discussion on annual CSR reporting. In 2003 and 2004 we held this meeting jointly with Nissan Motor Co., Ltd. In 2005, the meeting was exclusively for our employees, and about 70 employees, including E-koto Project leaders, Group company employees and CSR report contributors from various company sections, participated in the event. Participants divided into small groups to give comparative, analysis of various companys CSR reports and discussed Sompo Japan's CSR activities.



In-house job posting



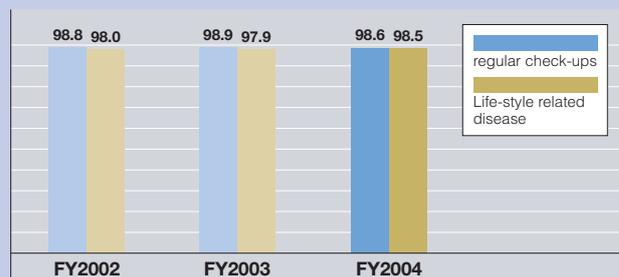
No. of Occupational Accidents Occured

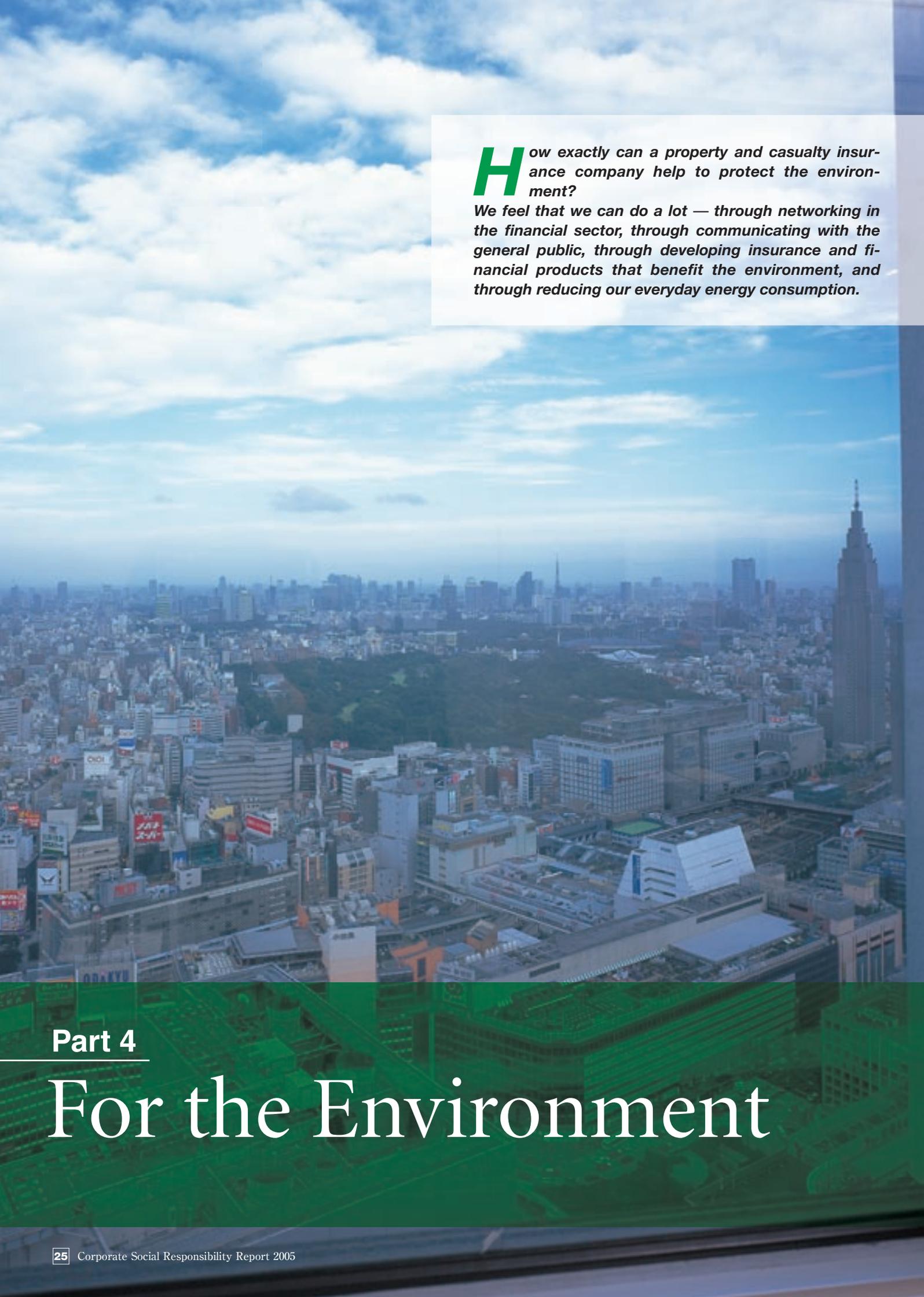


Care leave taken

	FY2002	FY2003	FY2004
Family nursing care	5	7	5
Childbirth	42	94	121
Child care	45	70	97
Child care reduced working hrs scheme	—	—	13

medical consultation ratio





How exactly can a property and casualty insurance company help to protect the environment?

We feel that we can do a lot — through networking in the financial sector, through communicating with the general public, through developing insurance and financial products that benefit the environment, and through reducing our everyday energy consumption.

Part 4

For the Environment

1 Acting on global warming: Sampo Japan's 3 commitments

Energy and resource conservation

After obtaining ISO 14001 certification for our Data Processing Center in 1997 (the first ISO 14001 certification ever obtained by a Japanese financial institution), and our Head Office building in 1999, we applied the know-how gained from the certification process to develop and implement our original "E-koto Project" EMS nationwide, involving all of our employees in our efforts to reduce the environmental impacts of our activities. As a result of such efforts, our CO₂ emissions for fiscal 2004 were 21.7% less than for fiscal 2002, the first year after the establishment of the present-day Sampo Japan, with both electricity and energy consumption down by over 20%. Unfortunately paper consumption has grown, and reduction of paper use is our maximum priority for fiscal 2005.

Our IT strategy department and product development sections are, for example, working together from the design stage to develop products and services that leverage paperless online processing, both to reduce paper consumption and improve the efficiency of our operations.

Examples

- "ONE-do," comprehensive automobile insurance, launched January 2001, has eliminated the renewal application forms for pre-configured contracts, and reduced the number of forms issued by 380,000 during the first three months after launch.
- New web-based operating system for compulsory automobile liability insurance (e-JIBAI), launched October 2004, reduced the number of forms used from launch to 2004 yearend by about 2.01 million.

Environmental management promotion and internal auditing system

We take a proactive approach to environmental issues based on our basic philosophy and three guiding principles. Our ECO Committee is a companywide organization for examining and forming policy related to environmental issues, while our ECO Working Group, organized under the ECO Committee, researches the development of environment-related products and services. Two of Sampo Japan's buildings—the Head Office building and Data Processing Center—have obtained ISO 14001 certification, and undergo yearly external and internal audits. We have also established ECO Committees in each of

our regional headquarters and branch/sub-branch office buildings throughout Japan, and are now practicing environmental management on a companywide scale through the implementation at each facility of our "E-koto Project" EMS, an original EMS that we developed from the know-how gained from our ISO 14001 certification efforts. Our CSR Office, Corporate Communication Department, which is part of the Management Planning Division, is in charge of EMS implementation.

To monitor the implementation of our EMS, we provide Head Office building and Data Processing Center ECO Committee members and E-koto Project leaders from throughout the country with internal environmental auditor training. As of the end of June 2005, a total of 138 employees had obtained CEAR (Center of Environmental Auditors Registration) and internal auditor qualifications, and this number continues to grow every year.

Nationwide environmental management 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 Sampo Japan 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, which as a result each set their own targets for reducing resource and energy consumption and other environmental and social contribution activities, applying the PDCA (Plan-Do-Check-Action) cycle of 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 mechanism designed to further boost EMS performance by having each facility check on progress status in 60 specific areas, including reduction of electricity, gas, gasoline and other energy consumption, water and paper consumption, green purchasing, recycling, social contribution activities and so forth, assessing each item on an objective scale of 1 to 5, and comparing status with that of other Sampo facilities. Best practices at each facility are reported on the company intranet so that they can be easily shared with other facilities. From 1998, we have also held an annual meeting for EMS leaders from throughout the country to enable them to better share information and ideas, and raise their awareness of issues and solutions.



Some Eco-sign stickers to promote energy saving (Clockwise from the left: Caring for water / Use stairs / Turn the switch off)



Display for the sorted waste collection, an example of activities for achieving "zero emission"



ECO Project Team, conducting a spot check to raise awareness of workplace environmental management

2 Acting on global warming: Somo Japan's 3 commitments
Voluntary partnerships and education

In collaboration with global and local networks

In February 2005, Somo Japan announced its participation in the "Carbon Disclosure Project" (CDP), an international effort by global institutional investors aiming to promote global warming countermeasures of companies.

Begun in the U.K. in 2002, this project enables global institutional investors who endorse the aim to jointly send questionnaires concerning global warming countermeasures to FTSE 500 companies and request related information disclosure. The number of institutional investors participating in the project has been increasing every year, and in 2005, the total was 143 companies, including Somo Japan.

These 143 companies manage assets of 20 trillion U.S. dollars.

With the 2.9 billion tons of greenhouse gases emitted by the responding companies accounting for about 13% of worldwide emissions generated through burning fossil fuels, CDP is attracting attention as an initiative to promote information disclosure and global warming countermeasures in the private sector.

Somo Japan is also a signatory of the UNEP Finance Initiative since 1995, and the Japanese financial sector's sole member of the World Business Council for Sustainable Development (WBCSD) since its inception in 1995.

Further, in Japan, corresponding to the need of a multi-sector initiative tackling climate change, the Forum on Climate Change Crisis (representative: Mr. Hiroshi Oki, former Environment Minister and COP3* chairperson) was launched in February 2005 by the public and private sec-

tor, NPOs and research bodies. Somo Japan is a founding member of the Forum, and at its first gathering, we explained the considerable potential impacts of climate change on the management of a property and casualty insurance industry, and introduced our own efforts to reduce energy consumption, disseminate information on disaster prevention, and development of insurance and financial products that contribute to the mitigation of global warming.

* COP3 = the Third Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change

Employee environmental education program

We focus significant resources on employee environmental education with the aim of creating a corporate culture in which each and every employee shows consideration for the environment. In addition to in-house CSR Literacy Training sessions provided each year for every Somo 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, and our environmental education program also encompasses training for internal environmental auditors.

We also use the company intranet and internal newsletter to regularly disseminate environment-related information and publicize progressive examples from our branches around the country, and we provide an online Introductory Course on Environmental Issues, just one of various in-house on-line learning courses provided to boost employee knowledge and skills. A total of 1,241 employees had completed this course by the end of fiscal 2004.



web UNEP FI
www.unepfi.org



World Business Council for Sustainable Development

web WBCSD
www.wbcsd.ch



WBCSD annual meeting in Nagoya, June 2005



Public Seminars on the Environment and its outdoor session at a national garden



Public Seminars on the Environment

Sompo Japan and the Sompo Japan Environment Foundation (founded in 1999) work with highly qualified civil society organizations to nurture environmental awareness in society at large. For example, we have since 1993 teamed up with the NPO, 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 10,000 people have attended the seminars to date, with the 2004 series drawing 1,474 people (of which 46.5% were new participants). In 2004 we held four series of four seminars, each on such themes as "Latest Developments in Environmental Issues," providing a sign language interpreter for eight of the 16 seminars. On March 15, we also held a special seminar titled "The Risks of Climate Change: Acting on Global Warming." Climate change was also the theme of four of the 2005 series of regular seminars.

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

CSO Learning Scholarship Program

With the aim of raising environmental awareness among the younger generation, Sompo Japan Environment Foundation has since 2000 run a CSO Learning Scholarship Program to sponsor eight-months internships for university undergraduate and graduate students at environmental civil society organizations (CSOs, also referred to as NGOs/NPOs). This program is designed both 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. Meetings are held in each region every month for interns to report on their activities, learn about the activities of other CSOs, and develop their presentation skills and intellectual breadth. The program is supported by the *Chikyu* (Earth) Club Social Contribution Fund, a fund created through regular donations by Sompo Japan employees. In 2004, the program was expanded to include CSOs in Nagoya and Sendai as well as Tokyo and the Kansai area, and out of a total of 133 applications, 59 students were dispatched as interns at 29 CSOs. An intern alumni association has also been created, and in 2005 both the number of interns and regions will be further expanded.

We believe it is our fundamental social responsibility to support citizens and companies involved in environmental issues, through our insurance and financial products and services. In order to contribute to the realization of a sustainable society in collaboration with our diverse stakeholders, we will continue to offer services and products that reflect our expertise on risk assessment and socially responsible investments.



Masao Seki, General Manager of CSR Office



CSO Learning Scholarship Program interns for fiscal 2005



Interns participating in agricultural activity



web [A bilingual animation on environmental issues](http://www.sompo-japan.co.jp/environment/envearth/html/index_e.html)
www.sompo-japan.co.jp/environment/envearth/html/index_e.html

3 Acting on global warming: Sompo Japan's 3 commitments
3 Insurance and financial products and services

Soil and environmental pollution

Cost Cap Insurance (offered since August 2001)

We offer insurance for covering cost overruns on projected cleanup costs for cleanup operations that discover unforeseen pollution that had not been detected at the time of the soil pollution survey.

Soil Pollution Insurance (offered since January 2003)

This product is for covering cleanup costs of soil pollution discovered only after pollution surveys have delivered negative pollution results.

Environmental Impairment Liability Insurance (offered since May 1995)

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

Soil and environmental pollution

Service Station Leakage Insurance (offered since November 2003)

This product provides coverage for damages due to third-party legal liability 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.

Vehicles

Eco-Car Discount (offered since December 1998)

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

FY 2002: 1.77 million
 FY 2003: 2.81 million
 FY 2004: 3.25 million

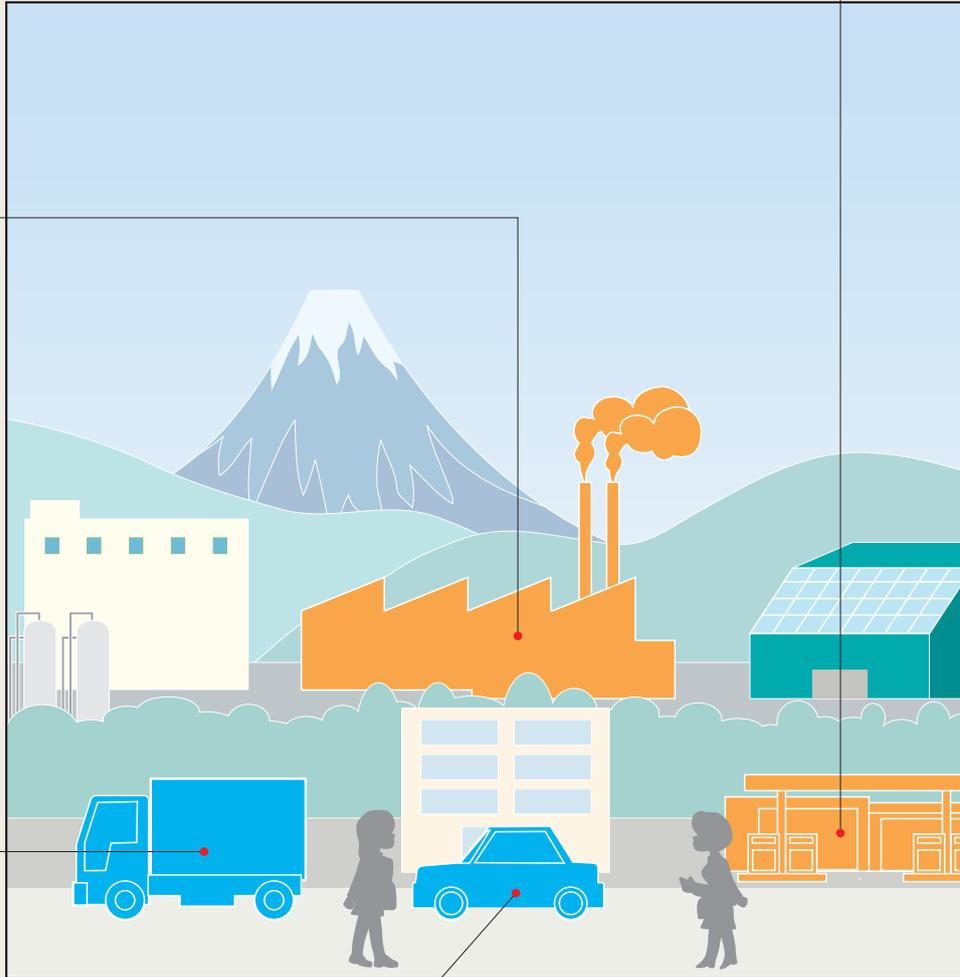
Expanded coverage for collision repairs exceeding replacement cost (offered since December 2002)

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

FY 2003: 3.66 million
 FY 2004: 5.46 million

AIR e-Shop 21 (offered since January 2002)

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



Vehicles

Promoting the use of recycled auto parts

In line with a General Insurance Association of Japan campaign, we are promoting the use of recycled parts in the vehicle repair industry by setting yearly targets, sharing best practices and providing employees handling accident claims with study trips to auto salvage and recycling contractors, and training in promoting recycled parts use to customers. The target for 2004 was unfortunately not achieved due to the need to respond to claims arising from a large-scale natural disaster, but we nevertheless are continuing with our efforts this year with the aim of reaching our target for fiscal 2005 of 8.5% use.

Auto parts recycle ratios

FY	2002	2003	2004
targets	6.7%	6.7%	8.5%
results	6.3%	8.0%	7.4%

■ Waste

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

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 priority pre-set sum to the producer in the event that wind speeds do not meet forecasts.

Comprehensive insurance for ESCO proprietors (offered since August 2000)

We offer order-made insurance policies to ESCOs providing comprehensive energy-saving service packages to buildings and factories, etc.

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

■ Environmental management

ISO 14001 certification consulting (offered since January 1998)

Leveraging the knowledge gained from our own experience in establishing and operating an ISO 14001 EMS, we offer an ISO 14001 certification consulting service through Group company Somo Japan Risk Management Co., to provide practical advice to financial sector and other businesses seeking to introduce environmental management systems. As of 2004 yearend, 73 companies using this consulting service had obtained ISO 14001 certification.

■ Investment and finance

Launch of eco-fund investment trust products for investment in companies pursuing environmental initiatives (from September 1999. For details, see page 9-10)

Environmental effect vetting of investment and financing

When we vet 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.

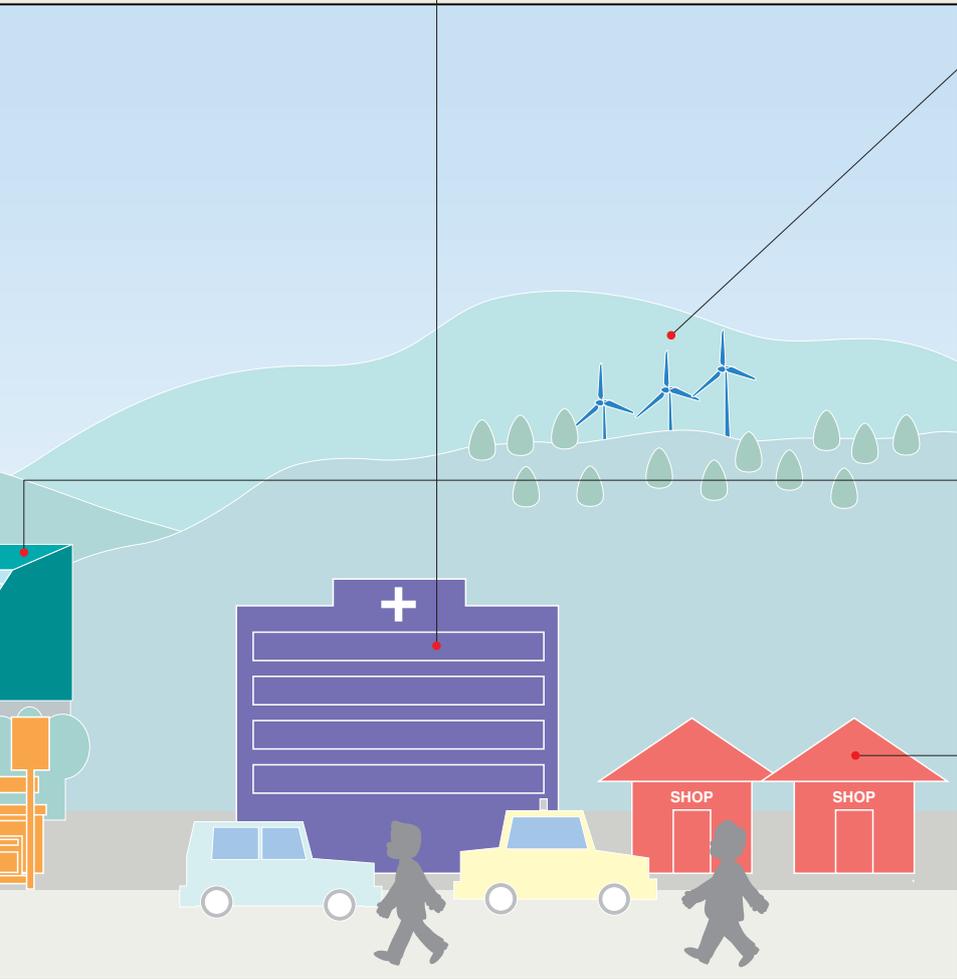
Investment in environment-related venture companies

Through an investment project union operated by Group company Yasuda Enterprise Development Co., we have invested proactively in venture companies involved in wind power production, electricity-powered device development, ESCO (energy service company) projects, fuel cell development and other fields with environmental benefits. Several of those companies have gone on to issue IPOs. We shall continue in our efforts to identify investment opportunities in environment-related, new materials and alternative energy fields.

■ 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.

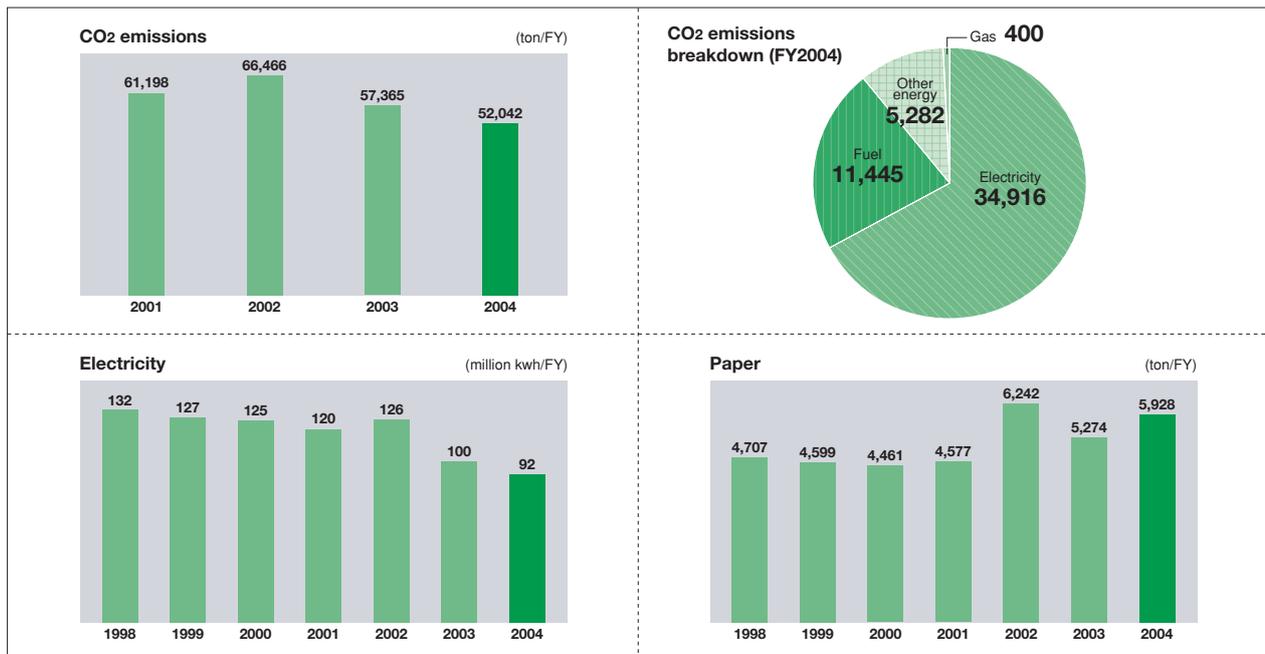


Environmental performance data

As a result of the installation of energy-efficient equipment and the everyday efforts of all of our employees to save energy and resources, we succeeded in fiscal 2004 in reducing electricity, gas and other energy consumption considerably. We also managed to reduce gasoline consumption by about 10% by reviewing vehicle fleet use and reducing vehicle numbers, and purchasing new fuel-efficient vehicles. However, due largely to the revision of insurance policy application forms and vehicle insurance policy provisions, we failed to achieve our targets for paper consumption reduction. We shall continue in our efforts to implement paperless insurance policy application and other procedures, and review all of our workplace processes to introduce operational efficiencies and reduce our paper consumption.

Company-wide			CO ₂ emissions (ton) ^{*1}		Change
	FY2003	FY2004	FY2003	FY2004	
Electricity use (million kwh) ^{*2}	100.4	92.4	37,959	34,916	-8%
Paper use (ton)	5,274	5,928			+12%
Gas use (thousand m ³) ^{*3}	210.7	204.1	453	400	-12%
Other energy use (million MJ) ^{*4}	93.5	78.8	6,268	5,282	-16%
Fuel consumption by company-owned vehicles (thousand liter) ^{*5}	5,251	4,718	12,685	11,445	-10%
Total			57,365	52,042	-10%

*1 CO₂ emissions: calculated using the coefficient designated in the Law Concerning the Promotion of the Measures to Cope with Global Warming.
 *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 companywide 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 2004 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

1,241 employees (cumulative since 2001)

▼ Public Seminars on the Environment

18 sessions

211 sessions (cumulative since 1993)

1,474 participants

10,000 participants (cumulative since 1993)

Environmental / Social Targets for Fiscal 2005

Since fiscal 2004, the whole company is striving to achieve a range of targets that has been expanded to encompass CSR objectives.

1. Targets across all offices and all Group companies within Head Office building

The mid-term target has been set as well as the target for fiscal 2005, in order to ensure the stepping up of the achievement. We shall pursue the research and development of CSR products and services.

- Energy use
Fiscal 2007: 5.9%
Fiscal 2005: 3.7%
- Water use
Fiscal 2007: 3.6%
Fiscal 2005: 2.9%
- Paper consumption
Fiscal 2007: 6.4%
Fiscal 2005: 3.0%
- Recycling rate
Fiscal 2007: 90.0%
Fiscal 2005: 88.3%
(% to be reduced compared to the amount used during fiscal 2004, except recycling rate)

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

- Reduce environmental impacts across all cycles of administrative operations.
- Promote green purchasing of office supplies, company vehicles, computers, etc.
- Raise proportion of recycled components used in the repair of vehicles involved in accidents.
- Develop and provide CSR financial and insurance products and services.
- Promote research and provision of information on CSR issues.
- Enhance two-way communication with various stakeholders.
- Promote corporate citizenship activities.

2. Data Processing Center

As we have made significant reduction in paper, electricity consumption and waste during the six years that have passed since ISO 14001 certification, we have decided not to set numerical targets for waste, paper and energy consumption reduction since fiscal 2004. However, we will continue to monitor performance data, and strive to maintain the “zero emission” which has been achieved since fiscal 2003.

- Reducing waste and promoting recycling
- Maintain a recycling rate of 98% or higher.
 - Maintain steady operation of “zero emissions” management.
 - Establish procedures for monitoring of waste treatment contractors.
 - Strive to improve recycling quality.

- Environmental information dissemination
- Support zero emissions promotion activities.

- Promoting social involvement
- Continue computer skills classes for people with disabilities.
 - Carry out local community clean-ups.
 - Support local NPO activities.
 - Promote employees' volunteer works.

- Environmental pollutants management
- Prevent leakage of fuel oil from standby generators.
 - Reduce company vehicle fuel consumption.

3. Regional headquarters and branch buildings

We set targets for each building based on our *E-koto* Project. In fiscal 2005, we have introduced “Action Plan 60”, a mechanism designed to further boost EMS performance by having each building check on progress status in 60 specific areas of energy conservation, assessing each item on an objective and comparable scale of 1 to 5.

- Target categories
- Resource and energy conservation (electricity, gas, water and paper)
 - Recycling rate and waste reduction
 - Corporate citizenship activities

Grants awarded by Sompo Japan Environment Foundation

▼Academic research related to environmental protection

5 grants (total ¥2,500,000)

▼Environmental CSOs

13 grants (total ¥2,700,000)

▼Environmental symposiums and study groups

4 grants (total ¥2,030,000)

▼CSO human resource training programs

3 grants (total ¥1,150,000)

Development of CSO Learning Scholarship Program





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 in social initiatives 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 to participate in the community through volunteer activities.

Part 5

For Society

Sompo Japan's Corporate Citizenship

Contributing as a corporation and as an employee

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 realize a sustainable society

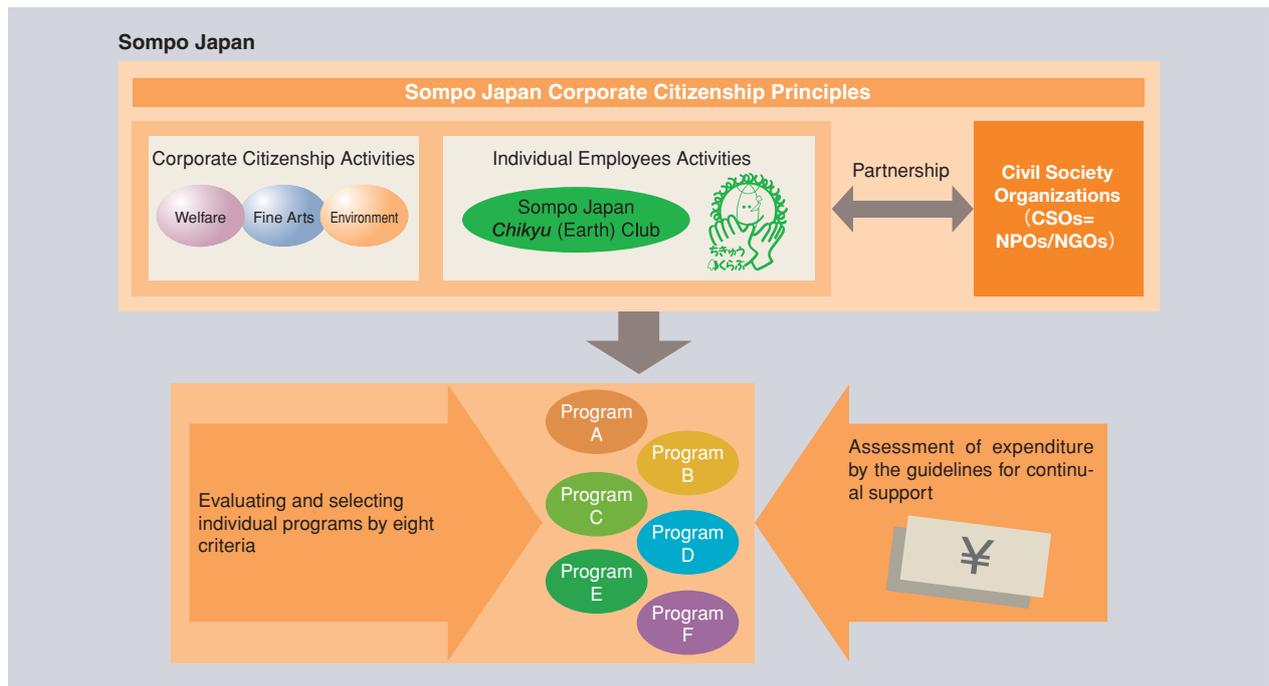
A wide variety of corporate citizenship activities in the three main focus areas of welfare, fine arts and environment are being developed with the cooperation of CSOs

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 community contributions 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)
<p>Sompo Japan, as a good corporate citizen, actively implements initiatives that contribute to society, while supporting individual employees' voluntary efforts.</p> <p>Two perspectives</p> <p>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.</p> <p>2. Individual Employees Contributions Sompo Japan will assist volunteer activities by individual em-</p>	<p>ployees through the "Sompo Japan <i>Chikyu</i> Club," while the company strives to establish systems and raise the awareness of employees for voluntary participation and involvement in social activities.</p> <p>Three focus areas Sompo Japan's initiatives are focused on the following three areas, in which it has accumulated expertise and achievements:</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; border-radius: 50%; padding: 5px; background-color: #d9ead3;">Welfare</div> <div style="border: 1px solid black; border-radius: 50%; padding: 5px; background-color: #d9ead3;">Fine arts</div> <div style="border: 1px solid black; border-radius: 50%; padding: 5px; background-color: #d9ead3;">Environment</div> </div> <p><small>*No limitation of areas is set for Individual Employee Contributions</small></p>



Expanding the reach of social welfare

The Sompō Japan Foundation

The Sompō Japan Foundation supports groups working in the field of social welfare; it also fosters the careers of researchers in the social welfare field, by supporting their studies of social welfare, social security, and property and casualty insurance, and publishing the results of their work.

The Sompō Japan Foundation Award, established in 1999, is the only prize given in Japan for outstanding contributions to scientific literature in the social welfare field. Recipients for 2004 included:

Dr. Toshikatsu Yamaguchi
an associate professor at Daiichi Welfare University
"The Study of Late Deafened and Hard-of-Hearing People";

Dr. Jung Won Lee
a lecturer at Kansai University of Welfare Sciences
"Developing a Scale of QWL for Staff in Nursing Facilities for the Elderly".

This year, for the first time at the awards ceremony, to assist the hearing impaired, we introduced note-takers (assistants sit beside the person and show notes taken on paper) and computer-based "gisting" (speaker's words are summarized and displayed on a screen). At the commemorative lectures 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 will continue working to provide barrierfree events and create an accessible environment that allows everyone to participate.



Commemorative lecture with various assistive devices

Since its establishment in October 1977, the Sompō Japan Foundation has supported groups that provide in-home care for the elderly and people with disabilities. From the start of this program up until fiscal 2004, about 1,600 awards have been granted, representing a total of about 1.02 billion yen.

Supporting NPO establishment

Also, since 1999 the Foundation has been assisting citizens' groups that wish to become officially-recognized NPOs under Japan's NPO law through its NPO Establishment Support Fund. A total of 20.7 million yen was awarded to 69 out of a total of 225 groups that submitted applications in fiscal 2004. A new project was started in fiscal 2004 to provide financial support for NPO capacity building, under which six organizations received grants totalling 3.5 million yen.

Also, 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 9.7 million yen was awarded to ten out of the 79 groups that submitted applications.

Additional support was provided for networking and other activities designed to strengthen organizations working for people with disabilities; in fiscal 2004, the Foundation made grants totalling 3.1 million yen to four organizations.



Vehicle purchased for an welfare organization

Support for the establishment of the United Nations' International Convention on the Rights of Persons with Disabilities

A draft International Convention on the Rights of Persons with Disabilities is now being considered by the United Nations. The Japan Disability Forum, which has the cooperation of 13 Japanese organizations dealing with this issue, is actively working with the Japanese government to promote this initiative.

In view of the importance of this convention, four Japanese foundations—the Sompō Japan Foundation, Kirin Foundation, Toyota Foundation and Yamato Welfare Foundation—banded together to support the JDF starting in fiscal 2004.



Message from The Japan Disability Forum

The work of drafting the International Convention on the Rights of People with Disabilities is, for the first time in the history of the United Nations, being undertaken through a partnership of national governments, groups for people with disabilities and other NGOs all working on an equal footing. We greatly appreciate the support that enables the direct participation of Japanese people with disabilities in the process of promoting this convention, which will have a significant impact on the relevant measures adopted by various countries and on the lives of people with disabilities.

Supporting culture and fine arts

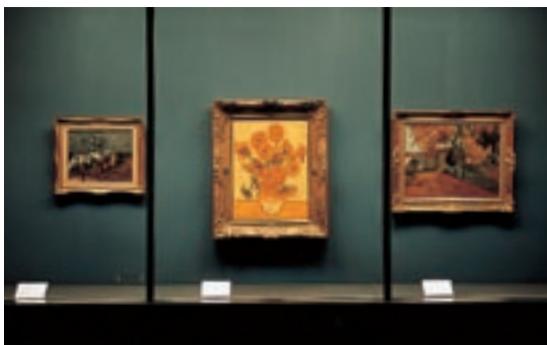
The Seiji Togo Memorial Sompō Japan Museum of Art and the Sompō Japan Fine Art Foundation

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 of Seiji Togo, a noted Japanese modern artist closely associated throughout his life with our company. The museum has since accumulated in its collection 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. Special exhibitions of artists such as Pierre Bonnard, Kotaro Takamura and Pablo Picasso (from the Jacqueline Collection) were held during fiscal 2004. The Museum welcomed 188,000 visitors during fiscal 2004, and a total of over 3.6 million people have enjoyed the collection since its opening.

The Sompō Japan Fine Art Foundation, which is the main managing body of the Museum, also engages in a variety of other activities, such as co-sponsoring fine arts exhibitions around the country.

A highly accessible museum

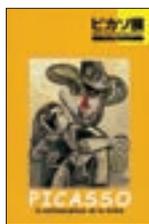
A letter from an elementary school student inspired by viewing Van Gogh's Sunflowers that we received led to our policy of allowing elementary and middle school students into all exhibitions free of charge, starting in December 1998. For children, we also hold art workshops, publish the "Sunflower Newsletter" covering news about the museum, and publish children's guidebooks for the special 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 member of an employee-organized sign language study group over the last eight years, 140 guests have visited the museum under this program, and 105 employees participated as volunteers.



Collections of the Museum of Art



"Pierre Bonnard," one of the seven exhibition held at the Museum of Art in FY2004



Junior guidebook on the work of Picasso, prepared for a special exhibition

For children's safety and learning

Yellow Safty 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 preventing traffic accidents. The program, started in 1965, marked its 41st year in 2005; since its inception, it has given out 50.60 million badges.

A puppet theater

In 1989, upon completion of our Nagoya building, the *Himawari* (Sunflower) Hall puppet theater was opened on its top floor as part of our support for culture and the arts. Though the Nagoya area abounds in puppet groups, up until then it had almost no major facilities to support their activities. Celebrating its 15th anniversary, the hall is co-managed with a local NPO, and hosts performances 170 days a year on average, with a total of 152,955 people having attended so far. Events performed 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 theatre 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 intent to encourage elementary schools that are taking particular care to create a good website as well as to improve their IT literacy. An independent survey of elementary school websites was carried out by a team of volunteers from a number of companies. In its third year, the nomination process started in May 2005; 1,107 volunteers, of whom 659 are from Sompō Japan, have been researching 16,194 primary school websites, including those of Japanese schools based overseas.



President and children with yellow badges at the Presentation Ceremony



The puppet theater *Himawari* Hall



J-KIDS website, Supporting the annual award for elementary Schools' websites

Supporting employee's volunteer works

Framework of support

To support individual employees who are making a contribution to society, Sompo Japan has established a leave of absence system for volunteering. Employees can take short-term leaves of absence of two days or less per month for up to 20 days per year. In fiscal 2004, nine persons took such leaves of absence, in order to participate in the KIDS Project, an NPO organized program to escort children with disabilities to the Disney Resort, and to deliver meals to elderly persons living alone in the local community.

Under the volunteer support system, 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 up to three years; applications for these leaves are accepted once a year. Leaves under this system are paid leaves, and have been available since 1993. One employee each in 1995 and 1996 took long-term leaves to volunteer in a care-giving facility and an environmental NGO, respectively.

The Chikyu (Earth) Club

— Employees' volunteer organization

Sompo Japan does not simply support the volunteer activities by its employees; it also recognizes the importance of creating opportunities that allow each employee to take the initiative to contribute to society. The focal point for our employees to get involved in contributing to the society is an employee-managed organization, the *Chikyu* Club, started in 1993.

The four main fields for *Chikyu* Club activities are social welfare, environment, cultural exchange and international assistance, and its three types of activities include everyday actions such as collecting used stamps [which are sold to companies supplying stamp collectors, with the money going to support local schools, etc.], co-operative activities such as joining local cleanups or helping out with NPO events, and activities planned and executed by the Club, such as wheelchair maintenance and computer classes for people with disabilities. By sharing information about successful projects, we try to encourage members to expand their activities.

Sompo Japan also donates an amount equal to half the amount donated by *Chikyu* Club members to NPOs and other causes, up to 50,000 yen, and in fiscal 2004, made two of these matching contributions, totalling 39,860 yen.

The Sompo Japan Sign Language Chorus marked four years of participation in local community events. Although our initial intention was to familiarize more people with sign language, we realized that we were empowered by the people we encountered, and by growing together with our community we hope to come into contact with many people, engage in dialogue with them and witness the wider dissemination of sign language.



Members of the Sompo Japan Sign Language Chorus

Society related figures (fiscal 2004 data, unless otherwise indicated)

Supporting civil society initiatives

▼NPO start-up supporting grants

69 organizations / 20.7 million yen

▼NPO strengthening grants

6 organizations / 3.5 million yen

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

1,600 groups / 1.02 billion yen

▼Grants for networking and empowerment programs for disability organizations

1,600 groups / 1.02 billion yen

▼Grants for automobile purchases for welfare groups

10 groups / 9.7 million yen

Supporting art, culture and children

▼Sompo Japan Seiji Togo Memorial Museum of Art

187,853 visitors

5,394 children entered for free

3.65 million visitors welcomed (cumulative since 1976)

▼Puppet Theater

152,955 audiences (cumulative since 1990)

▼Yellow traffic safety badges

50.6 million badges donated (cumulative since 1965)

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

659 employees volunteered

16,194 websites surveyed

Voluntary fund by employees

Chikyu Club members can optionally choose to donate 100 yen or more per month out of their salaries to maintain the *Chikyu Club Fund*, set up in July 1999 to make donations and give financial assistance to the members' volunteer activities. In fiscal 2004 there were 5,066 contribu-

tors to the fund, and the average amount of their monthly contributions was 252 yen. A total of 15,667,886 yen was contributed to the Fund in fiscal 2004; combined with the amount left over from the previous year this brought total support up to 17,340,870 yen.

Chikyu Club Fund —Summary of supports given during fiscal 2004.

(1) Immediate support for natural disaster victims

In 2004, the record-high number of ten typhoons hit Japan, and many other natural disasters also occurred, such as the Niigata Chuetsu Earthquake and the tsunami in the Indian Ocean. A total of 2.65 million yen was awarded to the Red Feather Community Chest campaign managed by the Central Community Chest of Japan (an affiliate of United Way International) and to local NPOs giving assistance to victims on the spot.

(2) Financial support for volunteer activities planned by local *Chikyu Clubs*

In fiscal 2004, financial support for volunteer activities independently planned by local *Chikyu Clubs* and carried out with the participation of employees was awarded on six occasions, and totalled 412,000 yen. Examples of activities included cleaning and maintenance of wheelchairs, and computer classes for persons with disabilities.

(3) Reimbursement of costs arising from members' volunteer activities

Support was awarded for purchasing supplies, travel and lecturers' fees on 17 occasions, and totalled 329,000 yen.

(4) Contributions to NPOs recommended by members

Contributions totalling 7.15 million yen were made to 54 organizations active in the fields of environment, social welfare, international cooperation, and culture and the fine arts. Contributions were based on recommendations by committees composed of *Chikyu Club* members.

(5) Support for NPOs through the Foundations

Donations totalling 6.8 million yen were made through the Sampo Japan Environment Foundation and the Sampo Japan Foundation. These funds were used in the CSO Learning Scholarship Program, which supports interns training at environmental NGOs, and to support capacity building by a social welfare organization assisting families of children with disabilities. Plans for fiscal 2005 include support for a children's art education program being implemented by the Sampo Japan Fine Art Foundation.

Comment from a supported NPO —Ms. Mayuko Murasawa of JEN

We greatly appreciate the warm support we received from the *Chikyu Club* for victims of disasters in the past year. JEN is carrying out relief activities in Sri Lanka, which was hit by the Asian tsunami caused by the large earthquake near Sumatra on December 26, 2004. After providing emergency relief in the form of food and clothing, we also distributed packages of essential household items to people moving out of evacuation shelters and into temporary housing. We are now providing psychological care to local people to help them regain a positive outlook about the future. We do this through a project for sharing experiences of the disaster with peers through group work and extracurricular activities for children.

We believe that knowing the world has not forgotten their hardships really encourages these people. We hope that receiving this support will help draw attention to the present situation in the field.



Paid holiday for volunteer works

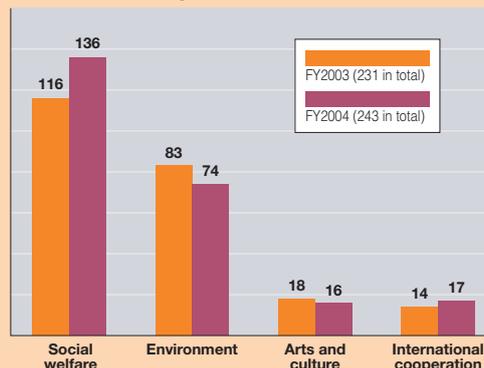
	FY2002	FY2003	FY2004
Number of employees participating	4	4	9
Holidays given	4	4	10

Chikyu Club Fund

	FY2002	FY2003	FY2004
Number of participants	4,943	5,208	5,066
Average monthly contribution per person	267 yen	258 yen	252 yen

	Unit: million yen		
	FY2002	FY2003	FY2004
Total amount contributed	15.1	15.4	15.6
Amount donated to disaster-relief initiatives	n/a	1	2.65
Amount donated to civil society organizations	14.0	14.85	13.95
Amount given to support volunteer activities	0.7	1.12	0.74

Volunteer work by area of activities



Working with local communities —Examples of community involvement by Chikyu Club

1. The Sompō Japan Sign Language Chorus

The sign language chorus started as a learning technique in our in-house sign language study group. The Sompō Japan Sign Language Chorus was established in 2002 as a way of familiarizing more people with sign language. The chorus performs at gatherings of elderly people, at facilities for people with disabilities, at local events and other venues, encouraging both young and old to be inspired and communicate with one another as they sing along while using sign language.



2. Sign language studies

Lessons in basic sign language were held at several offices. With the assistance of lecturers from citizens' groups, participants also learned more about what it is like to live with hearing disability.



3. Classes for basic PC skills

Throughout the year, computer lessons were held in cooperation with a local citizen's group for the elderly and people with physical disabilities. Employee volunteers assisted the participants by giving one-on-one instruction on basic PC skills.



4. The Sompō Japan Okinawa Sanshin Club

By practicing after work, members of this club are learning traditional Okinawa folk songs such as "Densa Bushi," and have enhanced their communication links with local people by performing at folk song performance contests and events held to express respect for the elderly.



5. The Lake Kasumigaura Restoration Project

Employees and local agencies are participating in a project undertaken by an NPO, the Asaza Fund, to restore Lake Kasumigaura, the second largest lake in Japan through the participation of a wide variety of stakeholders, including local schools, the national government, farmers, forestry workers, fishermen and corporations, by raising and re-planting floating heart (asaza in Japanese), a native aquatic plant that helps purify water.



6. The Special Olympics World Winter Games Torch Run

The Special Olympics World Winter Games for people with intellectual disabilities were held in Nagano, Japan in February 2005. Employee volunteers helped out with reception and guide duties during the "Five Million Person Torch Run," a national relay race run by people with disabilities around the country to help raise support for these games. Volunteers were rewarded by warm words of thanks from many of the athletes.



7. Wheelchair maintenance volunteers

It has become annual volunteer work for employees and local Sampo Japan agents around the country together to provide wheelchair maintenance and cleaning services to facilities for the elderly. Volunteers enjoy time with elderly talking and taking a walk together after the maintenance.



8. Town cleanup volunteering

To maintain the beauty of scenic spots and rid towns of litter, employees and local agent volunteers are taking part in cleanup activities in towns and cities around the country.



9. Forest conservation and reforestation

Employees, Sampo Japan agents and citizens groups are working together for their local beech forest conservation and reforestation by planting trees and cutting brush.



10. Puppet theater project to deliver education for disaster reduction

The United Nations World Conference on Disaster Reduction was held in Kobe, Japan, starting on January 18, 2005, the tenth anniversary of the Great Hanshin-Awaji Earthquake. The Sampo Japan Group co-sponsored and cooperated in holding the “Kids ‘wai wai’ Summit of Earthquake, Tsunami and “The Fire of *Inamura* (rice sheaves),” attended by over 500 people at the Conference venue.

“The Fire of *Inamura*” is a well-known folk tale that carries a valuable message about disaster reduction. It tells the story of a man who set fire to his hilltop rice fields to attract villagers from their homes below in order to save them from a tsunami. Sampo Japan encouraged the NPO Shizuoka Center for Puppet Plays and others to work together on a project to create a puppet theater for “The Fire of *Inamura*,” with support from the *Chikyu* Club Fund. Besides putting on the puppet play at the Summit, the children participated discussions with disaster specialists. Many Sampo Japan employee volunteers from the local region *Chikyu* Club also took part.

These activities have raised interest in the potential for education about disaster reduction to be done in a way that resonates for children, by using “The Fire of *Inamura*” puppet play to convey a message about earthquake preparedness. For example, a shadow puppet version of the play has been created by a citizens’ theater group. Governments, NPOs, the media and universities have also offered to sponsor performances. In addition, since July 2005, the website of the Cabinet Office of Japan has posted scripts and information on how to present “The Fire of *Inamura*” puppet play, shadow puppet play, and picture card show. A picture book telling the story has been translated into nine languages for use in eight Asian countries such as Bangladesh and India. The puppet theater project and the following developments are further expanding to deliver education for disaster reduction throughout Japan and the world.



web Cabinet Office, Government of Japan
www.tokeikyuu.or.jp/bousai/inamura-top

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



The Report

Once again, Sompo Japan proves through its CSR Report 2005 how the company helps drive the CSR agenda in Japan with its continued focus on relevant issues within the insurance sector - developing programmes where the company can make a difference. In this way, Sompo Japan is leading the way for other Japanese companies to follow.

All companies face the dilemma of satisfying diverse stakeholders' needs for transparent communication and at the same time ensuring a readable and manageable report format. In its CSR Report 2005, Sompo Japan has managed to strike a good balance between covering its CSR activities and yet not getting into detail on all issues, setting the context and staying within the defined scope for the CSR Report 2005. The fact that Sompo Japan is included in the Dow Jones Sustainability Index proves that its initiatives are relevant and high performing.

As an insurance company, Sompo Japan has the opportunity to not just ensure a balanced CSR performance of its own activities, but also directly affecting its customers. Indirectly, Sompo Japan acts as a responsible business in the community through its employees by engaging in community activities like the *Chikyu* (Earth) Club.

Going forward

One way of dealing with the challenge of continued reporting on CSR is to engage with company stakeholders to define what are material issues to them and the company, and also working together to resolve how the company can be responsive to their issues. Sompo Japan might find it valuable to explore its main stakeholders' perspectives on Sompo Japan's CSR work from:

- customers by reporting on general trends from the review of customer feedback
- investors by discussing the effects of its inclusion in DJSI and what confidence this gives
- employees by further focusing on employee participation in Sompo Japan's CSR work.

A challenge to put forward to Sompo Japan is to continue working to improve how performance is presented in its future CSR Reports. At the moment there are areas where the annual performance of initiatives is not clearly communicated. Neither is it clearly communicated whether the identified targets have been achieved. A good way to structure this work is by reporting on performance around the indicators in GRI's 'Sustainability Reporting Guidelines 2002', considering whether it is possible, and meaningful, to report 'in accordance with GRI.'

Finally, to further enhance the transparency of the information in the CSR Report 2005 and to further inspire trust and confidence that Sompo Japan is reporting on all material issues, Sompo Japan should consider having their future CSR Reports assured by an external third party following the guidelines in the AA1000 Assurance Standard.

Mr. Scott T. Davis
Professor
Faculty of Economics
Reitaku University
Japan



This is the fourth annual CSR report produced by Sompo Japan and it is without doubt the best to date.

Coordination

Many CSR reports start with a few vague remarks from the CEO grudgingly acknowledging the importance of society to the business and making a few abstract points regarding social/environmental betterment which are thereafter largely ignored in the report. Mr. Hirano's introductory remarks are far from vague - he makes a clear statement of what Sompo Japan stands for, how it aims to achieve its business goals responsibly, and whom it aims to benefit. These themes are then taken as the basis for the rest of the report and are used as a set of reference points upon which the information and discussions that follow are hinged. These introductory remarks set the constructive and positive tone for the report as a whole.

This year's report represents the most comprehensive attempt to date to account for (1) progress in the development of processes for integrating social, environmental and business objectives, and (2) reporting on Sompo Japan's achievements in contributing to society in Japan and abroad as a socially aware corporation.

Message and Method

Information on initiatives to promote interactive communication between Sompo Japan and its customers, shareholders, employees, and environmental and social stakeholders comprise the bulk of the report. This stakeholder-based structure is a carry over from the 2004 report but has been given a more systematic organization this year.

Despite the breadth of the material covered, there is far more co-ordination between, as well as within, the topics covered in the report than in previous years. Each section is set out in a format explaining the nature of initiatives as projects, plans for their accomplishment, and reports on their performance.

Most of the information - particularly information concerning environmental issues - given in the report is couched in terms of progress on annual goals which in many cases now extend back for several years.

Two-way Communication

Although a CSR report can be an invaluable tool for corporations that wish to engage in a dialogue with their stakeholders, many corporations use these reports as yet another tool in their arsenal for "handling" the public. Sompo Japan is using its report again this year to further promote stakeholder dialogue. Again, this is not simply the result of a "one-off attempt to do good," but part of a coordinated effort to "do good business." In the case of communication with customers, for instance, this emphasis on feedback and constructive interaction is founded firmly upon the first "S" in Sompo Japan's corporate policy that gives priority to "quality in service" over "quantity in sales."

Two special reports have been added to this year's report - "1: Acting on Global Warming," and "2: In Pursuit of a Better Society through Financial Markets." These represent an ambitious and somewhat daring attempt to state a clear position on, and formulate an integrated response to, two critical issues - global warming and the socially responsible management of financial markets. It is not rare for a Japanese company to take a public stance on critically important issues such as these, but it is very rare for a Japanese company to go beyond words and take action by integrating a response into its business strategy. It is hoped that these initiatives will prompt feedback from an even wider range of stakeholders and promote an even more active dialogue.

Corporate Values and Business Value

Sompo Japan has gone a long way to redress the weaknesses in its previous reports while further enhancing their strengths. The need remains however, for Sompo Japan to provide an even more thorough and objective account of how, and to what extent, its values as a responsible corporate citizen enhance its value as a business, and how its strengths as a business translate into good citizenship.

Mr. Hanns Michael Hölz
Head of Sustainable
Development,
Deutsche Bank AG,
Germany



After reading the "Corporate Social Responsibility Report," I have to compliment Sompo Japan Insurance Inc. on its numerous and highly impressive activities pursued in the field of corporate social responsibility. There are few companies with such a wide range of commitments and involvement in so many initiatives on the basis of so sound and ideal principles. One could truly say that the company lives completely up to the great expectations which are set by the statement "responsibility as an enterprise."

I would like to emphasize not only the way Sompo Japan incorporates the best possible standards concerning sustainability, whether that is the proactive pursuit of a better society or the conduction to mitigate climate change. Furthermore it is to be seen as a model in the relations to its employees. Sompo Japan embraces and includes every colleague in the company's commitment. And, as a proverb says: The customer is king at Sompo Japan.

So Sompo Japan truly goes for the triple win: socially responsible, environmentally sound, and in addition to that, economically viable. Particularly the two special reports "Acting on Global Warming" and "In Pursuit of a Better Society through Financial Markets" demonstrate that there is no such thing as a challenge too high for Sompo Japan. As a matter of fact, every task is seen as a solvable assignment and set to with alacrity. At the same time, features like transparency, integrity, appropriateness as well as effectiveness and efficiency are promoted and acted upon.

In the sense of an imaginary multiple identity, I would be rather proud to be all at the same time: customer, shareholder, investor as well as employee of Sompo Japan. I am deeply convinced that 2006 will be prosperous and successful in every matter for Sompo Japan, and I wish Sompo Japan and its employees strength, wisdom and stamina to achieve all the high set goals they aim at.

Ms. Carolyn Schmidt
Program Director,
ECOLOGIA
U.S.A



Sompo Japan's Corporate Social Responsibility Report for 2005 demonstrates serious commitment to a continuous improvement approach to defining and implementing corporate social responsibility. Most notably, the 2005 report reflects improvements in reporting based on the recommendations of those asked to comment publicly on the 2004 report.

Sompo Japan uses its role as an insurance company to encourage clients' investments in environmental protection, climate change mitigation, hazardous waste clean-ups, and alternative energy sources, and to minimize those clients' risks. While the insurance industry is uniquely positioned to leverage decisions in other businesses, the practice of extending the reach of corporate social responsibility beyond the immediate boundaries of a reporting entity sets a standard to which others should aspire.

Sompo Japan promotes the practice of social and environmental sustainability by lowering barriers for those who might otherwise hesitate to engage in CSR by:

- Offering weather derivatives to protect owners of wind turbines and of home solar energy systems, thus supporting investment in these clean energy sources;
- Offering insurance for liability and clean-up costs for soil pollution which had not been detected by initial pollution surveys, thus encouraging honesty and more complete mitigation of existing problems;
- Supporting ecologically friendly companies by developing and marketing SRI (Socially Responsible Investment) funds, such as "Beech Forest eco-fund" and "Empowering Our Common Future".

While engaging in a wide variety of carefully constructed CSR programs, Sompo Japan's CSR Report for 2005 identifies global warming as one of its two key priorities. Such a public commitment to clear priorities models leadership and a mature CSR program. Within its CSR commitment to addressing global warming, Sompo Japan has identified two areas where it can have the greatest impact:

- "Adaptation" to global warming- includes providing clients with assessment of wind and water disaster risks related to climate change, and developing programs to promote disaster preparedness and safety measures;
- "Mitigation" of global warming -includes Sompo Japan's efforts to measure and reduce its own greenhouse gas emissions (carefully documented in this report), as well as its insurance programs that encourage alternative energy use, hybrid vehicles, etc.

Notable also is Sompo Japan's cooperation with, and support of, non-profit and civil society organizations through providing competitive internship opportunities, paid leave for employees to do volunteer work, and joint public education programs. Cultivating an ethic of social responsibility among employees, and encouraging action on this ethic, is a laudable effort to build bridges to larger communities.

Suggestions for 2006 Report:

- 1) Continue the high-quality graphics, which add greatly to the accessibility and readability of the report;
- 2) Continue the focus on stakeholder communication and involvement, but provide more specific examples of how these dialogues are actually conducted, or what specific decisions were implemented as a result of these dialogues.

Leverage towards New Year 2006

Thank you so much for taking an interest in the fourth issue of the Sompo Japan CSR Report.

As in the last issue, we have prepared this independent report with our readers from outside Japan in mind. In producing the Sompo Japan CSR Report, we secured the translation expertise of Japan for Sustainability (JFS), a leading Japanese NGO that disseminates a substantial amount of information on environmental and sustainability-related activities across various sectors in Japan to the world.

This publication could also not have been possible without the great efforts and enthusiasm of our four third-party commentators. They not only contributed precious comments and opinions based on their expertise, but they also provided us deep insight into our reporting through a number of two-way communications which we believe are indispensable for the further development of our CSR initiatives.

Over the coming year, we will advance our activities through the framework of *the UN Global Compact*, in which we just announced our participation this month. We believe that our commitment to the 10 principles of *the UN Global Compact* will be our leverage for the coming New Year 2006.

December 2005

Editors
Masaatsu Takehara / Kumiko Hori
CSR Office, Corporate Communication Department

Corporate Social Responsibility Report 2005

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Published in December 2005



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