

To Our Shareholders



Ichiro Tateyama, *President*

In the year ended March 31, 2008, Nissay Dowa worked tirelessly to improve the quality of its operations. Guided by our slogan, “all efforts targeted at regaining the trust of our customers,” we adopted a customer-oriented approach in an effort to enhance the quality of insurance soliciting activities, improve insurance claim payment services, and reassess product and service systems.

During the year, we emphasized efforts to verify the appropriateness of insurance contracts and targeted steady improvements in product and administrative quality. In this context, it was a very difficult year with respect to our business performance. Nevertheless, we earned the confidence of customers by meeting their demands at an advanced level. We also strengthened the competitiveness of our services, with a strong emphasis on quality. Therefore, we believe we are now on a path toward growth.

Fiscal 2008 is the final year of our medium-term management plan, which began in April 2006. As we approach the end of the plan’s period, we will continue working to improve operational quality by adhering to the aforementioned slogan. Through these efforts, we will harness our groupwide resources in our quest to remain “the true company of choice for our customers.”

Business Performance

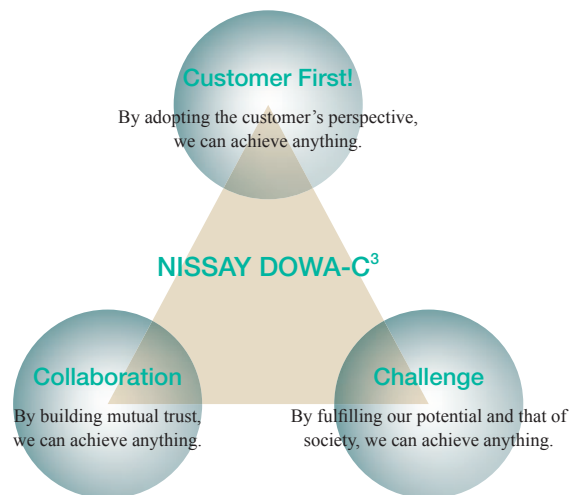
In fiscal 2007, the Japanese economy slowed down in the face of various uncertainties. These included an economic down turn in the United States due to the subprime loan crisis, volatile share and foreign exchange markets, soaring prices of raw materials, and weakness in both personal consumption and private sector capital expenditures.

In the non-life insurance industry, revenues from premiums declined amid falling unit sales of automobiles and lower housing starts, mirroring the trend of the overall economy.

In response, Nissay Dowa emphasized initiatives that reflect its “Customer First” principle. Under our slogan, “all efforts targeted at regaining the trust of our customers,” we placed top priority on “business quality reforms” in a companywide effort to raise the quality of our operations from the customer’s perspective across all domains, from initial solicitation to payment of insurance claims.

Seeking to reinforce corporate governance, we set up the Management Quality Improvement Committee in April 2007. Chaired by the president of Nissay Dowa, the Committee undertook a drastic reassessment of our overall operations in the integrated areas of solicitation, administration and claims payment. In these ways, we strove to enhance business quality based on the opinions of people inside and outside the Company.

NISSAY DOWA-C³



■ ■ ■ *Becoming the Insurance Company of Choice*

With respect to raising the quality of insurance claim payment services, we strengthened the organization of the Non-Marine Claims Department and significantly increased the number of personnel, thus reinforcing our system for ensuring appropriate insurance claim payments. At the same time, we adopted a more proactive explanatory approach to insurance claim payments, including the issuing of a new document outlining all procedures, from making claims to receiving insurance payments, upon receiving an accident report.

To boost the quality of solicitation activities, we upgraded and reorganized the Agency Administration Department, renaming it the Solicitation Quality Innovation Department, in an effort to reinforce our system for promoting and controlling improvements in solicitation quality. In April 2007, we started examining the content of all contracts, beginning with fire insurance. We also stepped up efforts to strengthen our explanatory approach to customers, including the systematizing training for our insurance agents and uploading training materials onto the web. In these ways, we strove to understand the opinions of customers and confirm the appropriateness of contract details and insurance premiums.

During the year, we worked to strengthen compliance with laws and other regulations. To this end, we established the Legal & Compliance Department, splitting it from the Compliance & Risk Control Department as an independent entity, with the aim of creating a specialized framework for ensuring compliance with laws and other regulations. We also modified our performance and personnel evaluation systems with a stronger emphasis on compliance and worked rigorously in other ways to foster a corporate culture with a strong compliance awareness.

Consistent with our “business quality reform” initiatives and our medium-term management plan, we endeavored to realize Corporate Social Responsibility (CSR)-oriented operations with a view to maximizing corporate value by raising customer satisfaction. We also further strengthened our comprehensive strategic alliance with Nippon Life Insurance Company, in order to reliably deliver “unparalleled comprehensive insurance services.”

On the product side, we launched and heavily promoted Tosho Wide, an automobile passenger insurance product featuring speedy payments on a daily basis depending on the part of body and injury sustained. In the fire insurance segment, we modified our services to enable customers to take out specific combinations of coverage, including wind, hail and snow disasters.

We also worked to strengthen customer services. During the year, for example, we augmented our website with easy-to-understand product description tools, including a video explanation of Tosho Wide. Reflecting customer feedback, we provided visual depictions of our fire insurance policies, changed the design of envelopes containing insurance policy documents, and otherwise strove to make our services easier to understand.

During the year, we sought to improve our information systems to raise convenience for customers. For instance, we launched a web-based system enabling customers to take out new group automobile insurance policies or modify existing ones from their PCs, 24 hours a day.

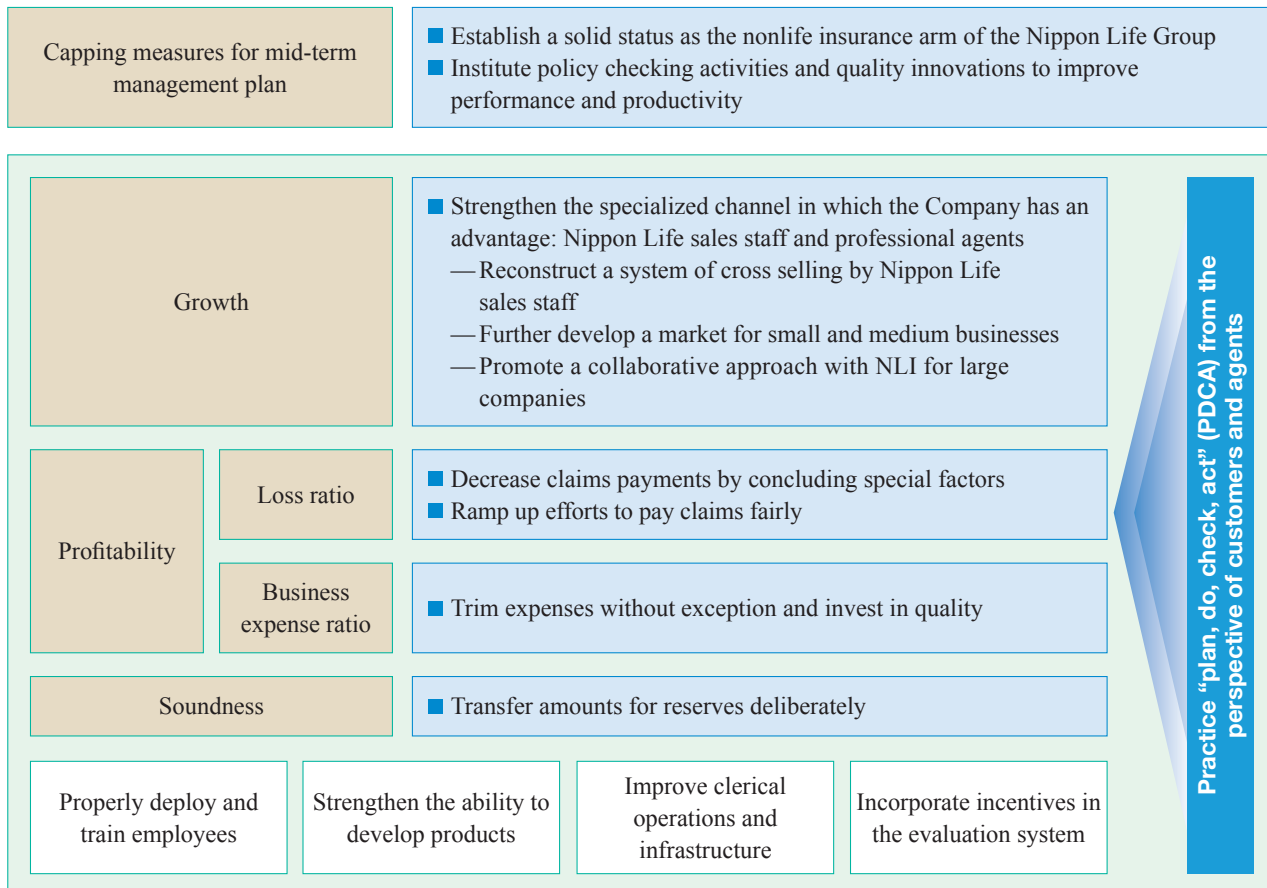
In addition, we pursued a range of social contribution activities. These included donating to the “Nissay Planting and Nurturing Forests for Future Generations” campaign and fund-raising for disaster relief.

In the year under review, insurance underwriting income totaled ¥359.1 billion, and investment income amounted to ¥47.6 billion. Ordinary revenue totaled ¥407.8 billion, up ¥14.5 billion from the previous fiscal year.

Insurance underwriting expenses came to ¥319.0 billion, investment expenses were ¥17.4 billion, and selling, general and administrative expenses totaled ¥57.4 billion. For the year, ordinary expenses increased ¥11.7 billion, to ¥395.4 billion.

Consequently, ordinary profit increased ¥2.8 billion, to ¥12.4 billion. After accounting for extraordinary items and income taxes, net income reached ¥6,450 million, up ¥190 million from the previous year.

Fundamental Policies for FY2008



Fiscal 2008, ending March 31, 2009, is the third and final year of our medium-term management plan, which began in April 2006. As we approach the plan's conclusion, we will fulfill our role as the non-life insurance arm of the Nissay Group by earning the unwavering confidence of customers. We will also strive to ensure that business quality enhancement activities pursued to date, which are aimed at restoring people's trust, are translated into improved financial results and higher productivity.

To this end, we will expand our growth potential by stepping up efforts to deploy our two largest sales channels—Nippon Life sales staff and professional agents—which also represent the Company's key strengths.

In the market for customers for Nippon Life, traditionally the driver of our Company's business, we will reinforce our

sales approach. Here, we will work in partnership with Nippon Life to cultivate all relationships, including with individuals, small and medium-sized companies, and large corporations.

In the professional agency channel, we will open new agents to handle our products for the first time, while strengthening and improving the quality of our existing agency network.

With respect to earnings, we will strive to improve the loss ratio for automobile insurance and continue cutting business expenses, in order to achieve a recovery in the net combined ratio.

To maintain sound operations, we will make various provisions as originally planned, including the establishment of catastrophe loss reserves.

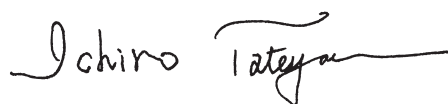
Key Performance Targets

			Fiscal Mar. '07		Fiscal Mar. '08		Fiscal Mar. '09 (est.)	
				change		change		change
Sales	Net premiums written	Billions of yen, %	326.3	1.4	318.2	(2.5)	319.0	0.2
	Net business expense ratio	%, p	32.3	(0.2)	33.5	1.2	34.5	1.0
Improve business efficiency	Net loss ratio	%, p	62.0	2.3	66.4	4.4	63.8	(2.6)
	Automobile loss ratio	%, p	69.2	2.8	74.9	5.7	68.9	(6.0)
	Net combined ratio	%, p	94.3	2.1	100.0	5.7	98.4	(1.6)
	Underwriting balance ratio	%, p	5.7	(2.1)	0.0	(5.7)	1.6	1.6
Enhance business soundness	Catastrophe loss reserves	Billions of yen, %	110.1	1.4	111.9	1.7	122.2	10.3
	Fire disaster	Billions of yen, %	43.5	5.0	51.0	7.5	58.5	7.5
	Solvency margin ratio	%, p	1,152.8	(2.4)	1,052.1		Approx. 1,100	
Earnings, capital	Net income	Billions of yen, %	6.2	(1.0)	6.4	0.1	7.0	0.5
	ROE (revised)	%, p	3.9	(0.7)	3.9	0.0	4.2	0.3
	Payout ratio	%	48.6		47.1		Over 40.0	

For the year ending March 2009, we forecast net premiums written of ¥319.0 billion, ordinary profit of ¥12.0 billion and net income of ¥7.0 billion.

We ask for the ongoing support of our shareholders and other stakeholders as we tackle the challenges ahead.

August 22, 2008



Ichiro Tateyama, President