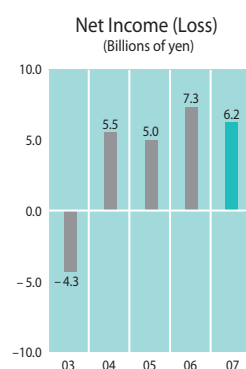
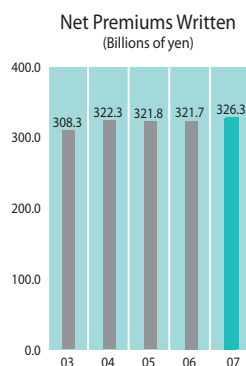


Management's Discussion and Analysis of Operating Results and Financial Position



Nonconsolidated Performance

Insurance Underwriting

Net premiums written amounted to ¥326.3 billion, up 1.4% from the previous fiscal year. However, net losses and claims increased 5.3%, to ¥186.7 billion. As a result, the net loss ratio rose 2.3 percentage points, to 62.0%.

Underwriting-related operating and general expenses totaled ¥50.0 billion, up 1.7%. This was despite ongoing efforts to streamline overall operations and enhance spending efficiency. The net business expense ratio improved 0.2 percentage point, to 32.3%.

The underwriting loss was ¥9.4 billion, down ¥3.5 billion from the previous fiscal year. This was a result of the above factors, and of increases in accumulated premiums of savings-type insurance and reversal of underwriting reserves and reductions in net maturity funds, and provision for reserves for reported and estimated losses and claims.

Asset Management

At fiscal year-end, total assets amounted to ¥1,364.5 billion, up 1.0% from a year earlier. Total investments were up 0.9%, to ¥1,288.0 billion.

To ensure asset liquidity and stable profits, we maintained our investments mainly in domestic and overseas bonds. We also actively increased purchases of overseas bonds to boost income.

As a result, interest and dividends received rose ¥2.4 billion, to ¥24.7 billion.

Despite an increase in capital gains from sales of domestic and overseas bonds, the Company posted a major decline in capital gains from sales of its stock holdings. Consequently, investment income fell ¥4.7 billion, to ¥30.4 billion, while investment expenses increased ¥1.4 billion, to ¥7.6 billion.

Income

Ordinary income edged down ¥1.1 billion, to ¥393.3 billion, reflecting insurance underwriting income of ¥361.6 billion, investment income of ¥30.4 billion and ordinary revenue of ¥1.2 billion.

Ordinary expenses rose ¥954 million, to ¥383.7 billion. This reflected insurance underwriting expenses of ¥321.2 billion, investment expenses of ¥7.6 billion, other operating and general administrative expenses of ¥54.4 billion, and other ordinary expenses of ¥398 million.

As a result, ordinary profit declined ¥2.1 billion, to ¥9.6 billion. After extraordinary gains and deferred income taxes, net income totaled ¥6.2 billion, down ¥1.0 billion.

Financial Position

Assets, Liabilities and Net Assets

As of March 31, 2007, total assets stood at ¥1,364.5 billion, up ¥14.1 billion from a year earlier. Total investments increased ¥11.5 billion, to ¥1,288.0 billion, mainly reflecting a ¥28.9 billion increase in securities, a ¥14.2 billion decline in loans and a ¥5.8 billion decrease in call loans.

Net assets increased ¥5.6 billion, to ¥368.5 billion, due mainly to higher unrealized gains on available-for-sale securities stemming from a recovery in the stock market.

As a consequence, the equity ratio was 27.0%, and net assets per share totaled ¥970.16.

Risk management loans remained mostly unchanged at ¥274 million.

Solvency Margin Ratio

The total solvency margin rose ¥12.1 billion, to ¥632.8 billion, reflecting an increase in unrealized gains on securities.

The total amount of risk rose ¥2.3 billion, to ¥109.7 billion.

As a result, the solvency margin ratio edged down 2.4 percentage points, to 1,152.8%.

Analysis of Sources of Capital and Capital Liquidity

Cash Flows

Net cash provided by operating activities amounted to ¥2.3 billion, up ¥628 million from the previous fiscal year, owing mainly to an increase in net premiums written.

Net cash provided by investing activities totaled ¥803 million, down ¥38.2 billion, mostly due to a decrease in proceeds from sales or maturity of securities.

Net cash used in financing activities was ¥3.2 billion, down ¥1.0 billion, mainly reflecting a low level of purchases of treasury stock.

Consequently, cash and cash equivalents at end of year stood at ¥81.6 billion, down ¥1.7 billion from a year earlier.

Capital Liquidity

By maintaining a certain level of cash and cash equivalents, the Company secures sufficient liquidity for claim payments and other expenses. This enables us to allocate funds for investment in securities to ensure financial stability, profitability and liquidity.

