[English Translation]

November 19, 2012

To whom it may concern:

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Representative: Kengo Sakurada, President
Stock Code Number: 8630 TSE, OSE

# Notice Regarding Revision of NKSJ Group Management Plan

NKSJ Holdings, Inc.(hereinafter, "the Company") has revised the NKSJ Group management plan running through FY2015, which was announced in September 2011. The plan was revised in light of the basic agreement on the full merger of Sompo Japan Insurance Inc. and Nipponkoa Insurance Co., Ltd. (hereinafter, "the two P&C insurance companies"), which was announced in March 2012, as well as subsequent changes in the operating environment, and other factors.

## 1. Management Philosophy

Following the basic agreement on the full merger of the two P&C insurance companies, from which the NKSJ Group was formed, the Company established the Group Management Philosophy and the Group Vision for the entire NKSJ Group in June 2012. These tenets, which articulate the Group's values, lie at the heart of the new NKSJ Group management plan. Going forward, the NKSJ Group will strive to achieve both the Group Management Philosophy and the Group Vision.

[Group Management Philosophy]
The NKSJ Group will contribute to society by extending the highest quality of service across a wide range of business activities building on its core business of insurance to provide security and peace of mind to its customers, always carefully considering the customer's perspective in our business actions.

[Group Vision]
As part of our effort to build a globally competitive organization, we aim to establish our position among customers as the most highly evaluated service company.

* Considering the foregoing, the Group has established the word "First" as the Group slogan. "First" expresses its determination to take the first step ahead of others, while emphasizing speed and the willingness to embrace challenges. At the same time, the Company will remain mindful of the fact that every employee represents the entire NKSJ Group. Going forward, the NKSJ Group will work as one to realize its Group Management Philosophy.

## 2. Outline of the Revised Management Plan

### (1) Main Points of Strategies and Measures in Each Business

The NKSJ Group's basic strategy is as follows: "Leveraging improved profit-earning capacity in the domestic property and casualty (P&C) insurance business, the Company will actively allocate business resources to growth fields in order to establish a sustained growth cycle." In line with this basic strategy, the main points of the strategies and measures in each business are as follows:

(i) Domestic P&C Insurance Business

(a) The domestic P&C insurance business will promote greater efficiency in advance of the merger of the two P&C insurance companies, with the aim of achieving the industry's highest level of business efficiency and profitability. (See Attachment 1 for details.)

- The domestic P&C insurance business is implementing measures to standardize and streamline operations through a joint Head Office structure, along with the co-location of sales and claim offices and related standardization of operations, with the view to reduce expenses. Going forward, these measures will be accelerated further.
- The profitability of the two P&C insurance companies' automobile insurance business has continued to deteriorate mainly due to persistently high accident rates and increased unit repair costs. The two P&C insurance companies have amended driver rating systems. Further measures will be taken according to the profitability of the automobile insurance business going forward.

(b) The new P&C insurance company will become an industry-leading company in terms of service quality, in addition to business scale. The company aims to evolve into a true service enterprise by enhancing customer evaluations and providing customers with an innovative and diverse array of services.

(c) In the automobile insurance market, the domestic P&C insurance business will leverage both of its business models in agencies and direct sales, with the aim of expanding its customer base.

(ii) Domestic Life Insurance

(a) The NKSJ Group will endeavor to achieve growth by strategically allocating the Group's business resources, based on the following product and channel strategies.

- The domestic life insurance business will implement measures to expand business scale, while improving the weight of highly profitable protection-type products.
- The main thrust of its channel strategies will be to promote cross-selling of life insurance through P&C insurance channels targeting P&C insurance customers. This will be supported by robust collaboration with the two P&C insurance companies.

(b) The domestic life insurance business will work to enhance operational quality, bolster sales platforms and improve management efficiency based on the customer's perspective by enhancing personnel capabilities and innovation in operations.

- Measures will be implemented to enhance operational quality when customers carry out policy enrollment and claim payments procedures, through innovation in administration and systems.
- High business efficiency will be achieved mainly by reducing operating expenses through system restructuring and other means, and by enhancing personnel capabilities.

(iii) Overseas Insurance Business

(a) The overseas insurance business will clarify strategies for each sector (retail and corporate), while selecting and prioritizing regions, with the aim of expanding earnings.

(Retail sector)

In emerging countries, the overseas insurance business will conduct M&As and other actions designed to capture growth in each country, primarily in automobile insurance.

・Key regions: regions where the NKSJ Group already has a certain market position ( around 10th place in industry), and aims to establish a position as a major player.

Brazil, Turkey, Malaysia

・Business platform development regions: regions where the NKSJ Group will develop retail business platforms in anticipation of future growth

Thailand, Indonesia, India, China

(Corporate sector)

In specialty fields* primarily in Western countries, the NKSJ Group will conduct M&As and other actions targeting companies that offer prospects for stable earnings contributions.

* Markets where highly specialized and individualized risk is underwritten using advanced underwriting expertise.

(b) The NKSJ Group will integrate overseas sites in advance of the merger of the two P&C insurance companies. Furthermore, the Group will execute strategies according to market conditions in each country, and steadily increase earnings.

(iv) Financial and Other Services

(a) In Financial and Other Services, the NKSJ Group aims to drive earnings growth in existing businesses by actively developing new products and services, while expanding business mainly targeting customer bases in the domestic P&C insurance business and the domestic life insurance business.

(b) In this business domain, the NKSJ Group aims to focus on the following three fields, with the view to contribute to the Group's profit quickly: insurance and financial services, the health and welfare-related fields, and the environment-related fields

(2) NKSJ Group's Numerical Management Targets (FY2015)

(i) Main Revisions

The NKSJ Group's numerical management targets for FY2015 have been upwardly revised. The main reasons for revisions are as follows.

(a) Domestic P&C insurance business

The Company has downwardly revised its previous numerical targets for the domestic P&C insurance business as a whole, despite projected benefits from the merger of the two P&C insurance companies. The downward revision mainly reflects the fact that a certain amount of time will be needed before the profitability of the automobile insurance business will improve.

(b) Domestic life insurance business

The Company has upwardly revised its previous numerical targets for the domestic life insurance business as a whole. This reflects its strong current business performance, along with the penetration of a strategy for offering high-margin products following the merger to form NKSJ Himawari Life Insurance, Inc. ahead of the planned merger of the two P&C insurance companies.

(ii) NKSJ Group's Numerical Management Targets (Adjusted Consolidated Profit Basis)

(Billions of yen)

| | FY2011 (Actual) | FY2012 (Estimate) | FY2015 (Plan) | Reference. : FY2015(Plan) announced on Sep. 21, 2011 |
|---|---|---|---|---|
| Adjusted consolidated profit | 1.2 | 54.4 | 180.0～210.0 | 160.0 |
| Domestic P&C insurance Business | -71.3 | -40.9 | 70.0～80.0 | 81.0 |
| Domestic life insurance Business | 100.0 | 85.0 | 100.0～110.0 | 55.0 |
| Overseas insurance Business | -19.7 | 9.9 | 14.0～20.0 | 20.0 |
| Financial and other services | -7.6 | 0.5 | 2.0～3.0 | 4.0 |

| | | | | |
|---|---|---|---|---|
| Adjusted consolidated ROE | 0.1% | 2.8% | 7% or more | 7% or more |

Notes:

1. Please see Attachment 2 for details on the numerical targets and the calculation method for adjusted profit, among other matters.
2. Targets do not reflect the impact of the increase in Japan's consumption tax rate.
3. One-time costs arising from the merger of the two P&C insurance companies are excluded from the calculation of adjusted profit in the domestic P&C insurance business because these costs are treated as special factors. (Approx. ¥24 billion in FY2012 and approx. ¥5 billion in FY2015)
4. In conjunction with the latest revision of the management plan, Saison Automobile & Fire Insurance Company, Limited and Sonpo 24 Insurance Company Limited were reclassified from financial and other services to the domestic P&C insurance business from FY2012.

(3) Capital Management Policy

The NKSJ Group will continue to adhere to a basic capital management policy of balancing three imperatives, namely "maintaining financial soundness," "improving capital efficiency," and "increasing shareholder returns," while aiming to increase corporate value.

In June 2011, the Company launched an ERM project within the Group. Through this project, the Company will enhance risk-based management according to the level of risk and capital.

(i) Financial Soundness

(a) The Company will conduct integrated risk and net capital management on a Group-wide basis, with a target credit rating of AA.

(b) The Company will continuously reduce strategic-holding stocks.

(ii) Capital Efficiency

(a) The Company is targeting adjusted consolidated ROE of 7% or more in FY2015 based on growth in adjusted profit.

(b) The Company will allocate part of the capital buffer generated by reducing strategic-holding stocks to investment in growth businesses, such as overseas M&As and new business investments in Japan. The goal is to enhance capital efficiency, while controlling the Group's risk exposure.

(iii) Shareholder Returns

The Company has taken the opportunity of revising its management plan in conjunction with the merger of the two P&C insurance companies, to set the following policy on shareholder returns.

The Company maintains the concept of the current shareholder return policy below;

> The Company has a basic policy of paying stable dividends, with the option of stock buybacks depending on capital conditions. The Company's medium-term target for a total payout ratio is at a level of 50% of adjusted consolidated profit (excluding domestic life insurance business).

The Company decided that it firmly maintains the stable dividend policy and also aims at shareholder returns flexibly reflecting management environment, capital conditions, the level of the Company's stock price and other factors.

In particular, the Company reduces current prospective dividend, but the Company is also planning to conduct a first stock buyback as shareholder return since the Company was established. As a result, the Company is planning to maintain the amount of the total payout which is the sum of dividends and stock buybacks.

In addition, the Company will implement interim dividend from the fiscal year ending March 31, 2014.

(a) The Company reduces its prospective dividend for the fiscal year ending March 31, 2013 from 80 yen per share to 60 yen per share. Accordingly, the Company is planning to buy back its own stock during the fiscal year ending March 31, 2014. The amount will be nearly equivalent to that of dividend reduction.

(b) The Company will decide whether to conduct stock buybacks as shareholder return for the fiscal year ending March 31, 2015 or any subsequent fiscal year, considering capital conditions and other factors.

(c) The Company, having paid dividends once a year, will pay dividends twice a year, interim dividends and year-end dividends, from the fiscal year ending March 31, 2014.

## 3. Strengthening Management

The Group will strengthen its management system on a Group-wide basis with the view to driving the Group's sustained growth and building an optimal business portfolio.

### (1) The Company (NKSJ Holdings, Inc.)

(i) Unifying the corporate governance system on a Group-wide basis

The Company will transfer the following tasks and functions from the two P&C insurance companies to NKSJ Holdings: the formulation of strategies for each business in the overseas insurance business and financial and other services, and the Group management functions including allocation of business resources.

(These tasks and functions will be implemented progressively in the overseas insurance business from April 2013. Measures will be implemented in financial and other services in April 2013.)

(ii) Establishing a structure to explore new business investment

The Company will newly establish a structure to explore new business investments to ensure the swift execution of overseas M&As, and of new business development in Japan and other initiatives.

(The Company plans to establish a new department responsible for overseas M&As in April 2013. A department responsible for new business development in Japan has already been established in October 2012.)

(2) Two P&C Insurance Companies (Sompo Japan Insurance Inc. and Nipponkoa Insurance Co., Ltd.)

The NKSJ Group is currently building an effective merger framework. In addition to standardizing Head Office functions, the two P&C insurance companies aim to unify the officers of both companies by having officers concurrently hold posts.

Attachment 1　Progress on Merger of Two P&C Insurance Companies

## 1. Corporate Mark

The new company's Corporate Mark has been decided as below;

Sompo Japan
Nipponkoa

About the Corporate Mark

The red sphere symbolizes perfect harmony and stability, while simultaneously representing our nation of Japan.
The overlaid platinum ring is a leader guiding towards our future, representing Sompo Japan Nipponkoa's future in connecting with people of the world to create a "new level of trust".
Dynamic combination of the sphere and ring is an expression of our vision to build a globally competitive company, as a leading brand in Japan.

## 2. Measures to Effect the Merger

| | Measures implemented | Plans and policies determined |
|---|---|---|
| Organization and personnel | ◇Implemented a call for voluntary early retirement to build a personnel system in advance. | ◇Formulated organization and personnel plans for FY2013 based on the new company's structure. |
| Joint Head Office | ◇Began co-locating sites in preparation for the joint Head Office structure.<br>Completed co-location of about 40% of all departments and offices as of October 2012. Co-location of all sites planned for completion in the beginning of FY2013.<br>◇Rapidly transformed co-located departments and offices into integrated departments*. | ◇Decided to transform all departments into integrated departments* by April 2013, and commenced the joint Head Office system*.<br>◇Decided to establish a streamlined, high-quality business execution system by integrating management of the operations of both companies. |
| Unification of officers of both companies | ◇ Commenced mutual participation of various officer-level meetings from the second half of FY2012. | ◇Planned to unify officers of both companies by having officers in charge of Head Office divisions and Regional Headquarters hold concurrent posts at the two P&C insurance companies from FY2013.<br>◇Through the foregoing, unify various officer-level meetings from FY2013. |
| Sales office sites | ◇ Started successively co-locating sites from FY2012. Co-location planned for completion by the end of September 2013. | ◇Decided to unify the organization at the department and branch level from FY2013.<br>Decided to unify all department and branch general |

| | Measures implemented | Plans and policies determined |
|---|---|---|
| | | manager posts, in principle, by October 2013, while working to drive growth in revenue by strengthening coordination on measures to boost the top-line, etc. |
| Claim office sites | | ◇Decided to unify the organization at the department level from FY2013. Decided to unify the department general manager post, in principle, by October 2013, while striving to enhance service quality by unifying various initiatives.<br>◇Decided to rename claim offices as Claim Service Departments from FY2013, as befitting the company's evolution into a true service enterprise. |
| Personnel-related | ◇Commenced joint recruitment activities by the two P&C insurance companies, in preparation for joint recruitment in FY2014.<br>◇ Established a new overseas training base in Singapore, to nurture overseas management personnel. | ◇ Formulated an outline for the new company's personnel system.<br>Developed a system based on emphasis on people and work, impartiality and fairness, and openness. Strived to become Japan's Best / No.1 in terms of employees' skills. |
| Realignment of domestic group companies | ◇Restructured life insurance, asset management and system companies etc., who were affiliated with the two P&C insurance companies. | ◇Formulated policy on realignment of subsidiaries and affiliated companies of the two P&C insurance companies |
| Integration or closure of overseas sites | ◇ Unified underwriting and began changing the company name, etc. of overseas sites scheduled to be integrated | ◇ Decided to integrate the overseas sites of both companies by the end of the first half of FY2014. (Determined the integration policy for Europe, China, Hong Kong, Singapore, and Indonesia) |
| Joint measures | ◇Implemented measures to boost the top-line by harnessing the fields of expertise and know-how of the two P&C insurance companies<br>◇ Implemented coordinated initiatives at claim office sites of the two P&C insurance companies | ◇ Decided to unify strategies and initiatives from FY2013 |

* "Integrated departments" refer to departments where all members are concurrently assigned to the two P&C insurance companies for the purpose of unifying both companies' functions. Integrated departments are collectively referred to as the "joint Head Office structure".

## 3. Projections of Merger Synergies and One-time Merger Costs

| **Merger synergies**<br><FY2015 (vs. FY2011)> | **One-time merger costs**<br><cumulative for FY2012-FY2015> |
|---|---|
| Approx 56 billion yen | Approx 120 billion yen |

* Merger synergies cover business expenses only.

## 4. Plan Indicators Related to Personnel and Organization

| | | | FY2012 (current) | | FY2014 (At the time of merger) |
|---|---|---|---|---|---|
| | | | Sompo Japan | Nipponkoa | |
| Number of units | Head Office divisions | Departments and offices | 63 | 51 | 68 |
| | Sales divisions | Departments and branches | 112 | 64 | 120 |
| | Claim Service Division | Departments | 29 | 15 | 32 |

| | FY2010 (At management integration) | FY2012 (Current) | FY2015 (Final fiscal year of plan) |
|---|---|---|---|
| Number of employees (Two P&C companies non-consolidated basis) | Approx 33,500 | Approx 30,800 | Approx 26,000<br>(vs. FY2010 -7,500)<br>(vs. FY2012 -4,800) |

Note: Figures for FY2010 and FY2012 represent the sums of corresponding figures for the two P&C insurance companies.

Attachment 2 New Management Plan Numerical targets of NKSJ Group

(Billions of yens)

| | | FY2011(A) | FY2012(E) | FY2015(Target) |
|---|---|---|---|---|
| Domestic P&C insurance | Adjusted profit | -71.3 | -40.9 | 70.0～80.0 |
| Numerical targets of two P&C insurers | Net premiums written | 1,911.7 | 1,919.0 | 2,040.0 |
| | Excl. CALI*1 | 1,654.0 | 1,651.8 | 1,740.0 |
| | Loss ratio | 81.9% | 74.4% | 65.6% |
| | Excl. CALI/Fin. Guarantee | 79.7% | 71.5% | 62.8% |
| | Expense ratio | 33.7% | 33.9% | 30.6% |
| | Excl. CALI | 35.4% | 35.8% | 32.6% |
| | Combined ratio | 115.6% | 108.3% | 96.2% |
| | Excl. CALI/Fin. guarantee | 115.1% | 107.3% | 95.3% |
| Domestic life insurance | Increase in adjusted EV | 100.0 | 85.0 | 100.0～110.0 |
| Overseas insurance | Net income as reported in financial statements | -19.7 | 9.9 | 14.0～20.0 |
| Financial and other services | Net income as reported in financial statements | -7.6 | 0.5 | 2.0～3.0 |
| Group total | Adjusted consolidated profit | 1.2 | 54.4 | 180.0～210.0 |

| | | | |
|---|---|---|---|
| Adjusted consolidated ROE | 0.1% | 2.8% | 7% or more |

*1 CALI: Compulsory automobile liability insurance

Definition of business, calculation of adjusted profit, and calculation of adjusted consolidated ROE are as follows.

(Definition of business)

- Domestic P&C insurance: Sum of Sompo Japan Insurance Inc. , Nipponkoa Insurance Company, Limited (Sompo Japan Nipponkoa Insurance Inc. in FY2015), Saison Automobile & Fire Insurance Company, Limited and Sonpo 24 Insurance Company Limited. (non-consolidated) .
- Domestic life insurance: NKSJ Himawari Life Insurance Inc. (non-consolidated)
- Overseas insurance: Overseas subsidiaries of Sompo Japan Insurance Inc. and Nipponkoa Insurance Company, Limited (Sompo Japan Nipponkoa Insurance Inc. , for FY2015)
- Financial and other services: Sompo Japan DIY Life Insurance Co., Ltd. , financial services, healthcare, , etc.

* In conjunction with the latest revision of the management plan, Saison Automobile & Fire Insurance Company, Limited and Sonpo 24 Insurance Company Limited were reclassified from financial and other services to the domestic P&C insurance business from FY2012.

(Calculation of adjusted profit)

- Domestic P&C insurance

Net income + provisions to catastrophic loss reserve (after tax) + provisions to price fluctuation reserve (after tax) - gains/losses on securities sales and securities impairment losses (after tax) -

extraordinary items
*One-time costs arising from the merger of the two P&C insurance companies are excluded because these costs are treated as special factors. (Approx. ¥24 billion in FY2012 and approx. ¥5 billion in FY2015)

・ Domestic life insurance
Growth in embedded value (EV) - capital account transactions - changes in EV attributable to interest rate movements

・ Overseas
Net income as reported in financial statements

・ Financial and other services
Net income as reported in financial statements

(Calculation of adjusted consolidated ROE)

$$\text{Adjusted Consolidated ROE} = \frac{\text{Adjusted consolidated profit}}{\text{Consolidated net assets (excluding life insurance subsidiaries' net assets)} + \text{catastrophic loss reserve (after tax)} + \text{reserve for price fluctuation (after tax)} + \text{life insurance subsidiaries' EV}}$$

*All values in the denominator are the average of the fiscal-year opening and closing balances