Q&A Session for Management Plan Presentation on September 28, 2011

■ Management Strategy

Q. You said that you will standardize strategies of the two P&C insurance companies. How will you change them specifically?

A. The two P&C insurance companies do not necessarily have completely different operations to start with. Both companies, for example, market insurance through insurance agencies. We believe that we can make operations more efficient by unifying sales and systems.

Q. Do you plan to transfer capital from the domestic P&C insurance business to the domestic life insurance and overseas insurance businesses through such means as increasing dividends paid by the P&C insurance companies to the holding company?

A. We plan to reallocate capital resources freed up by reducing strategic-holding stocks to the overseas insurance business. Overseas investments are executed at the P&C insurance subsidiary level. These investments do not necessarily have to come through the holding company.

Q. What do you mean by "establishing a new company that can compete effectively on the global stage"?

A. This means we intend to establish a new company which operates under the name of neither Sompo Japan nor Nipponkoa. The one-platform, two-brands structure is a process that we will implement toward this end. Eyeing our next stage of growth, we will give top priority to establishing a new company in this sense.

Q. What are NKSJ's strengths as it strives to "compete effectively on the global stage"?

A. The key of the P&C insurance business is "service". Japanese insurance companies offer a high level of service quality. We believe that overseas markets will see us in this attractive light. In Japan, we will differentiate ourselves from competitors by further enhancing the quality of our services.

■ Integration Synergies and Costs

Q. What is your approximate timeline for synergies to surpass costs?

A. Under the initial plan, integration costs were concentrated in fiscal 2012. However, under the new plan, these costs will be spread over the period from fiscal 2012 to fiscal 2014. We should start to see positive benefits from fiscal 2013, with benefits expanding in fiscal 2014 and fiscal 2015.

Q. Please give a breakdown of the increase in additional synergies (¥22.0 billion).

A. The main sources of the additional synergistic benefits will be the adoption of a joint Head Office and the nationwide integration of sales and claim office bases.

Q. The sharing of physical assets such as buildings was discussed as one source of synergistic benefit. What benefits do you expect to emerge on the personnel front as a result of standardizing operations?

A. Workforce efficiencies should emerge as the organization is consolidated on a nationwide basis. We expect to reap personnel cost savings mainly by seconding personnel to the domestic life insurance business, which offers growth prospects, as well as transferring personnel outside the company.

Q. Do you have any more room for additional cost reductions in the event of further deterioration in the profitability of the voluntary automobile insurance business?

A. We consider the joint Head Office and the integration of sales and claims office bases to be quite bold strategies. If profitability in the voluntary automobile insurance business were to worsen further, we would probably need to take steps such as tightening underwriting and revising premium rates.

■ Improving the Combined Ratio

Q. What kind of external operating conditions are you assuming for the projected 7% benefit from premium rate revisions for voluntary automobile insurance?

A. Our projection assumes future planned premium rate revisions and reforms of the non-fleet rating system, which have recently received news coverage.

Q. What is your approach to expanding the reinsurance business?

A. We aim to drive expansion in the reinsurance business mainly by providing capacity according to the growth of emerging countries. With climate change leading to a higher incidence of natural disasters in Japan, we need to diversify risk globally by expanding the reinsurance business.

Q. How far do you ultimately expect to reduce the combined ratio?

A. The key is how far we can lower the combined ratio for voluntary automobile insurance, which accounts for half of net premiums written. We consider 95% to be an appropriate level for the combined ratio, and will work to achieve this level.

■ Overseas Insurance Business

Q. The planned amount of investment in overseas M&As is unchanged. Have there been any changes in terms of personnel, strategy and so forth?

A. To date, we have mainly targeted overseas M&As in emerging countries. In these countries, companies generally have a high PBR, given their strong growth potential. On the other hand, companies in developed countries have a relatively low PBR. In this investment climate, we have decided to consider M&As in developed as well as emerging countries.

Q. Have you prioritized investment regions for overseas M&As?

A. Although we are considering developed countries, we are giving high priority to Asian countries and other emerging countries from the standpoint of capitalizing on growth.

Q. What is your M&A policy for developed countries? Have you set a ceiling per investment?

A. In developed countries, investments have a large absolute value, despite the low PBR. For that reason, we would find it difficult to invest if we were to establish a ceiling per investment. That said, we have no intention of blindly investing ¥200 billion. We will maintain our approach of acquiring sound companies at proper valuations.

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