

Sompo Japan Insurance, Inc. Acquires Canopus, 10th Largest Lloyd's Insurer

Signals Fully-fledged Expansion into Overseas Specialty Market

December 18, 2013
NKSJ Holdings, Inc.

I. About the Canopus Acquisition

II. Overview of Canopus

III. Strategic Significance of Canopus Acquisition

IV. Impact of Canopus Acquisition on Management Planning

■ Key details

- **Sompo Japan acquires Canopus for £594 million¹ (99.2 billion yen)**
- **Funding entirely from cash reserves**
- **Closing expected April 2014 or later (subject to necessary regulatory approvals)**

■ Overview of Canopus

- **One of the top 10 Lloyd's Insurers by gross premium income**
- **High annual average growth of gross premium income at 10.9% YoY, over past 5 years**
- **Average return on equity is 18% in normal years²; combined ratio³ at 94%**

1. The price will be adjusted to reflect Canopus' tangible fixed assets as of December 31, 2013
2. Over the past five years excluding 2011, when an unusually large number of major natural disasters occurred
3. Measure of profitability used by insurance companies to indicate how well it is performing. A ratio below 100% means it is making underwriting profit, while a ratio above 100% indicates it is paying out more on claims and expenses than it makes in premiums.

■ Strategic Significance

- NKSJ' strategic plan is to use growth in its international insurance business as one of its growth engines and the acquisition of Canopus is evidence of this plan
- Canopus will make a significant contribution to the adjusted profit target for the overseas insurance business of the NKSJ Group in fiscal 2015
- NKSJ to make a full entry into the US and European specialty markets
- Both companies to benefit from complementary business and geographical coverage

■ Impact of Canopus Acquisition on Management Plan

- Significantly increased probability of achieving the goals of the FY2015 Management Plan
- No anticipated change in NKSJ's profit distribution policies

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- Established in October 2003 in Guernsey, a British Crown Dependency; top 10 in the Lloyd's Insurance Market by gross premium income, 560 employees
- Ratings: A+ (S&P, Fitch), A (A.M. Best) via Lloyd's market ratings
- Gross premium income of £692 million (about 116 billion yen¹), consolidated net profit of £47 million (about 7.8 billion yen), and consolidated net assets of £358 million (about 60 billion yen), as of 2012 fiscal year ending December 31
- Business units: Global Property, Global Specialty, UK Retail
- Geographic coverage: UK, US, Bermuda, Singapore, Ireland, Switzerland, Australia, Malaysia

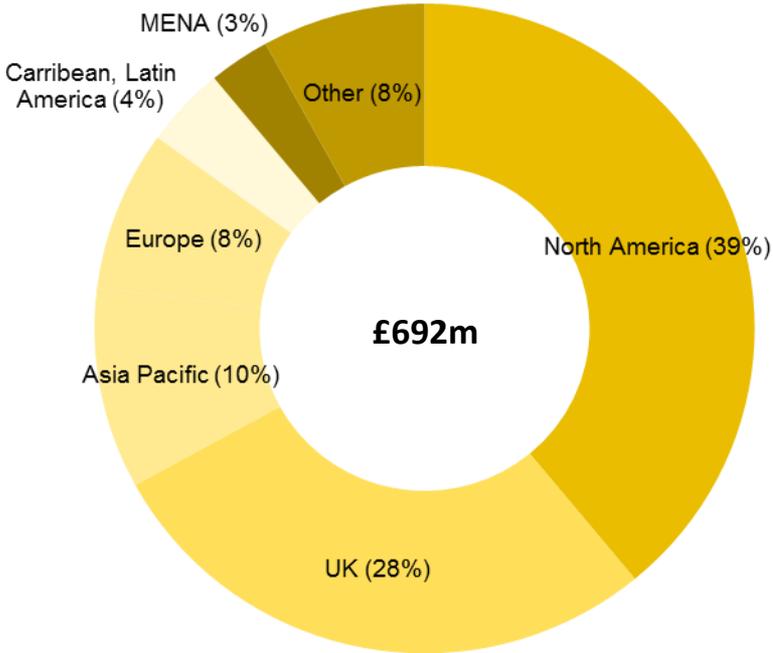
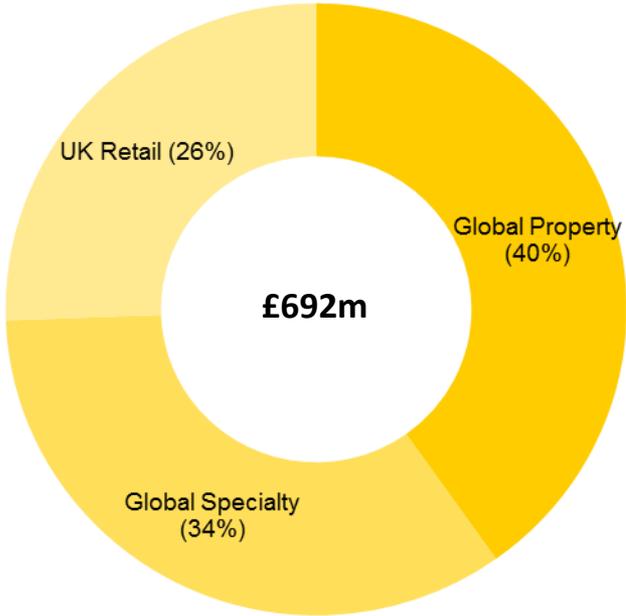
1. Exchange rate: £1 = 167 Japanese Yen

Breakdown of Canopus Gross Premium Income

◆ Well-balanced and diversified portfolio in terms of units and geography

Gross Premium by Unit in 2012

Gross Premium by Geography in 2012

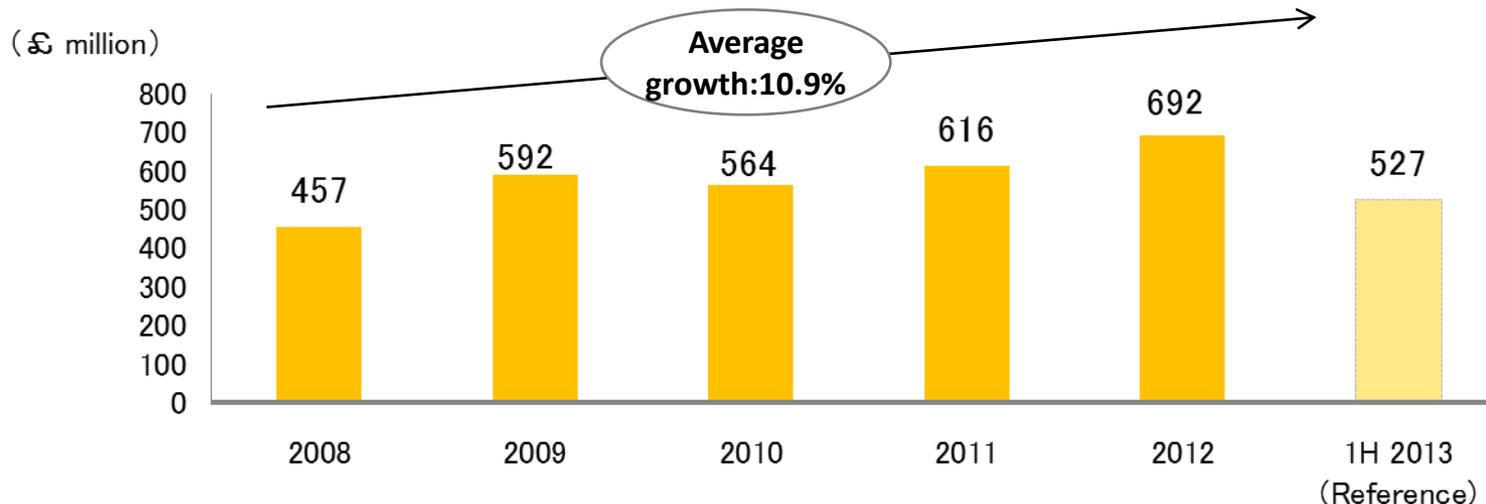


Source: Annual Reports

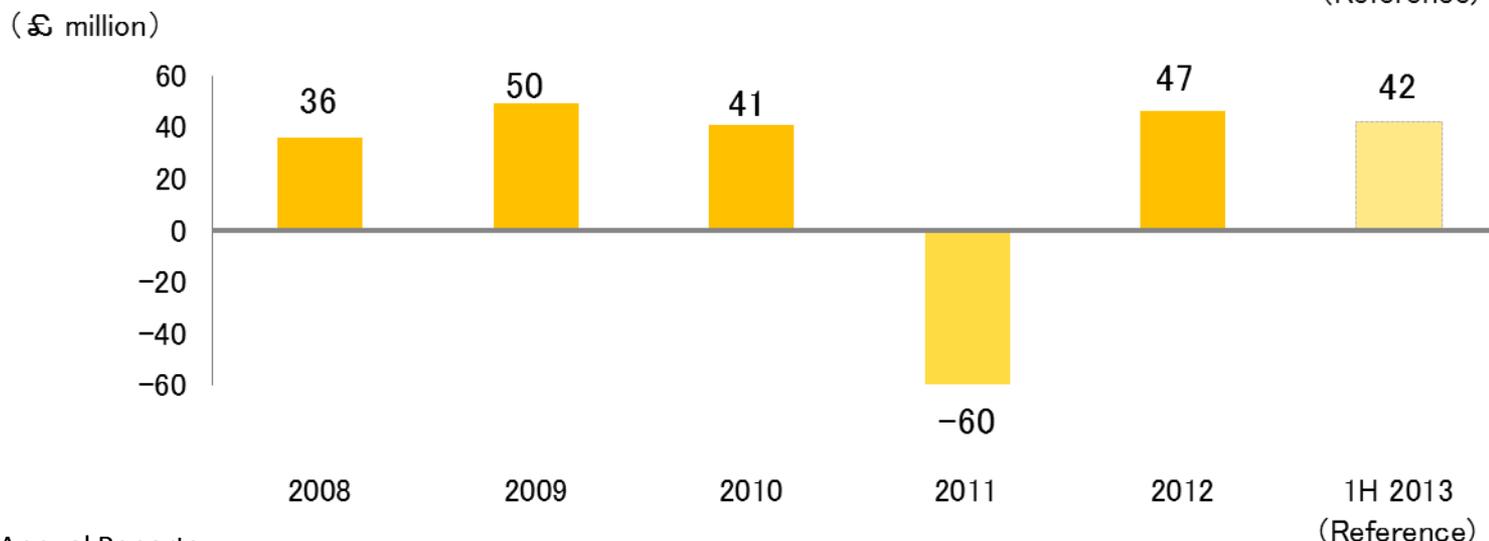
Canopus Gross Premium/Net Profit Development

◆ Realizing high top line growth. Bottom line is also growing with high profitability

Gross Premium



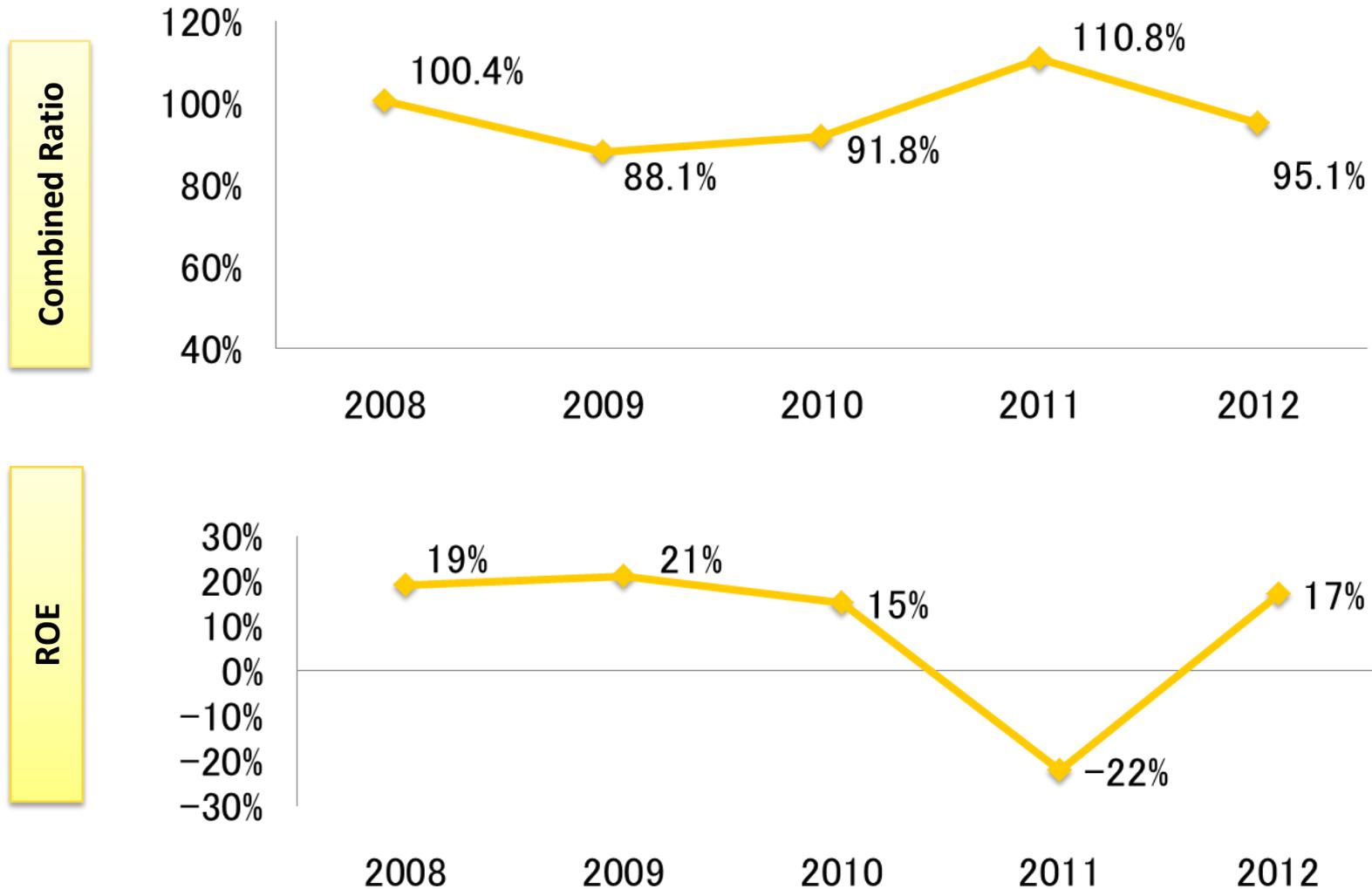
Net Profit



Source: Annual Reports
Exchange rate: £1=167 yen

Canopus Combined Ratio/ROE Development

◆ Relatively stable profitability except for CAT year (2011)



Source: Annual Report

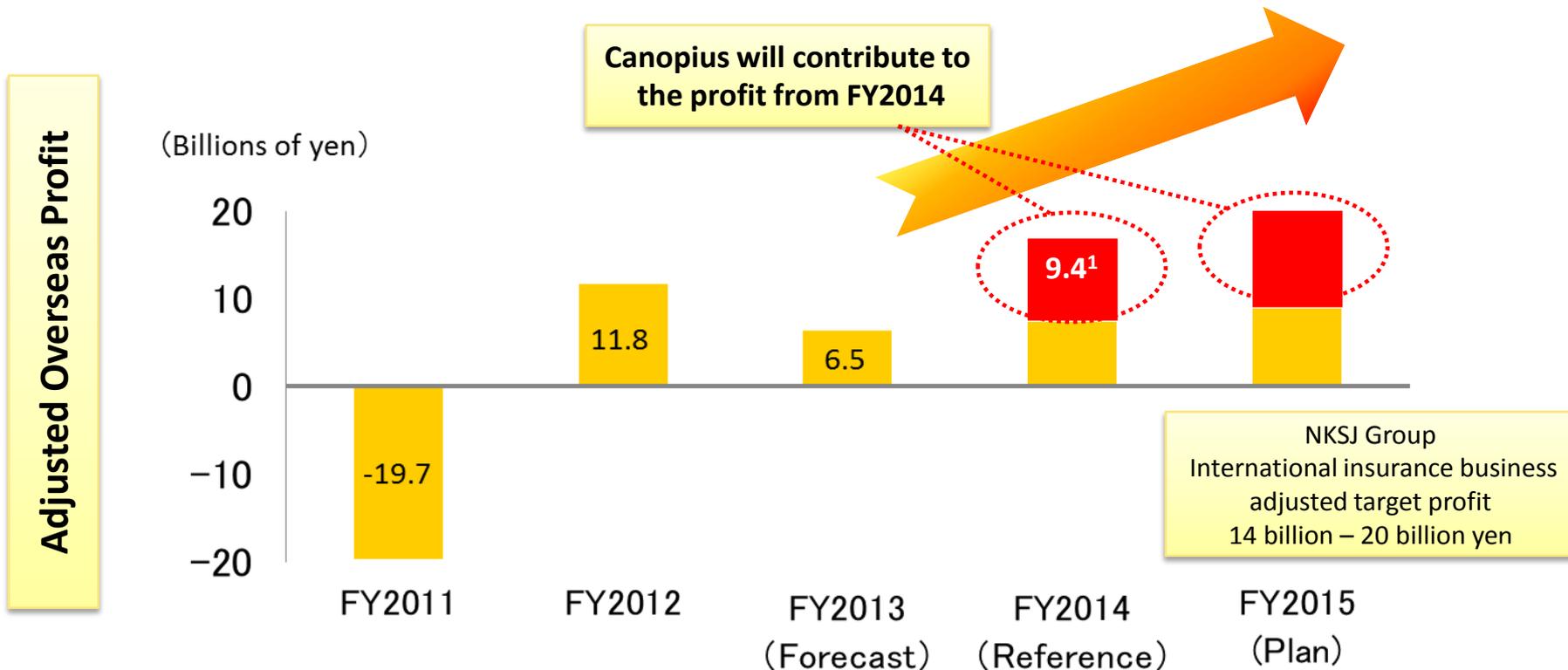
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◆ Canopius will contribute to increases in the probability of achieving the adjusted profit target for NKSJ's overseas insurance business in 2015



1. The increase in adjusted overseas profits through acquiring Canopius is an estimate based on the forecast of the company for 2014.

Exchange rate: £1=167 yen

Full Entry into Specialty Market (1)

- ◆ The Specialty Market is the market for (re)insurance that requires a high level of professionalism and technical understanding; Lloyd's Markets in the UK and the Excess and Surplus market in the US (E&S Market) are two well-known specialty markets

About the Specialty Market

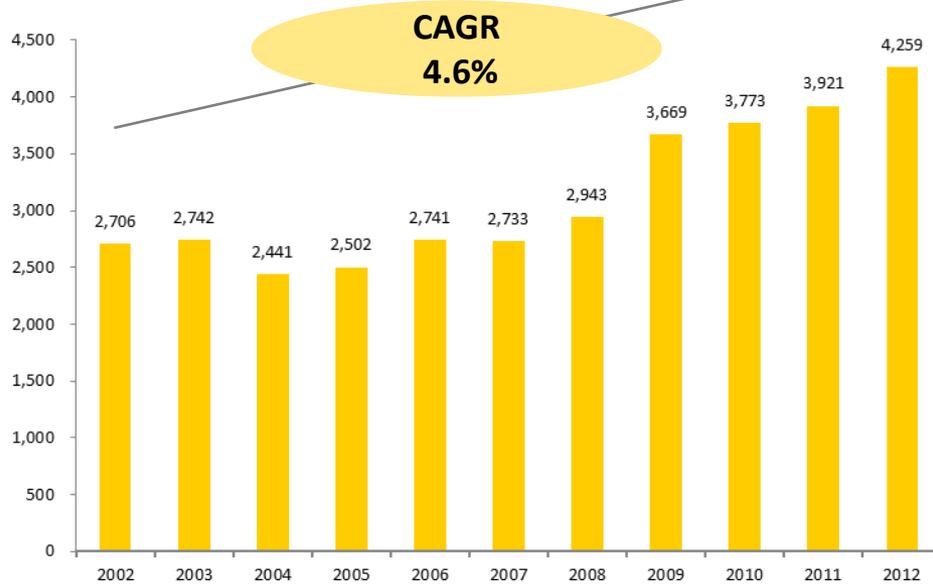
Market	Lloyds Markets (UK), Excess & Surplus (US), etc.
Requirements for Market Entry	High level of underwriting ability
Representative Types of Insurance	Property, marine, casualty reinsurance, energy, liability, and crisis management insurance
Characteristic	<ul style="list-style-type: none"> - Flexible contracts and rates - Offers risk that normal insurance companies do not offer - High profitability

Full Entry into Specialty Market (2)

- ◆ Lloyd's handles about 4,300 billion yen
- ◆ The US E&S Market handles about 3,500 billion yen

Lloyd's Growth Rate

(Billions of yen)

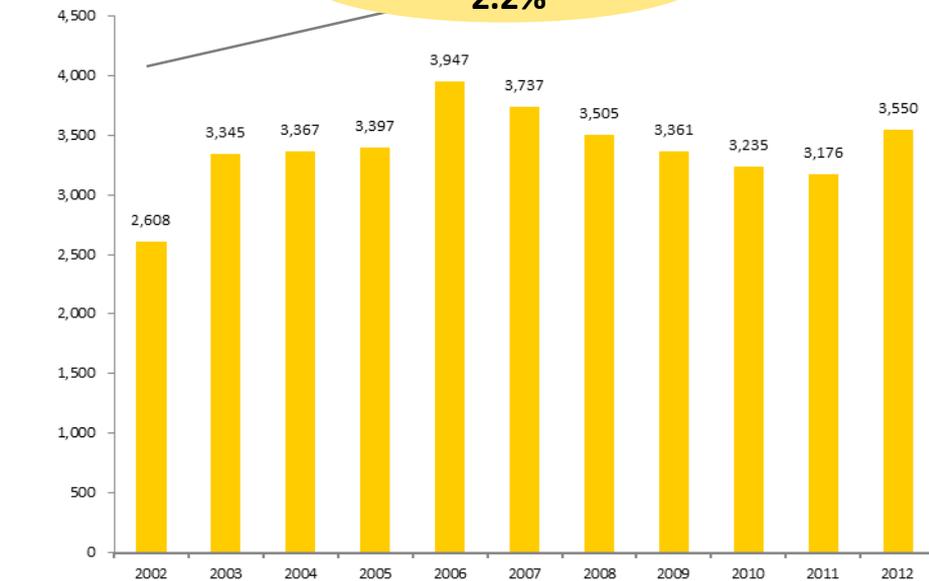


Source: Lloyd's Annual Report

Exchange rate: £1=167 yen

E&S Market Growth Rate

(Billions of yen)

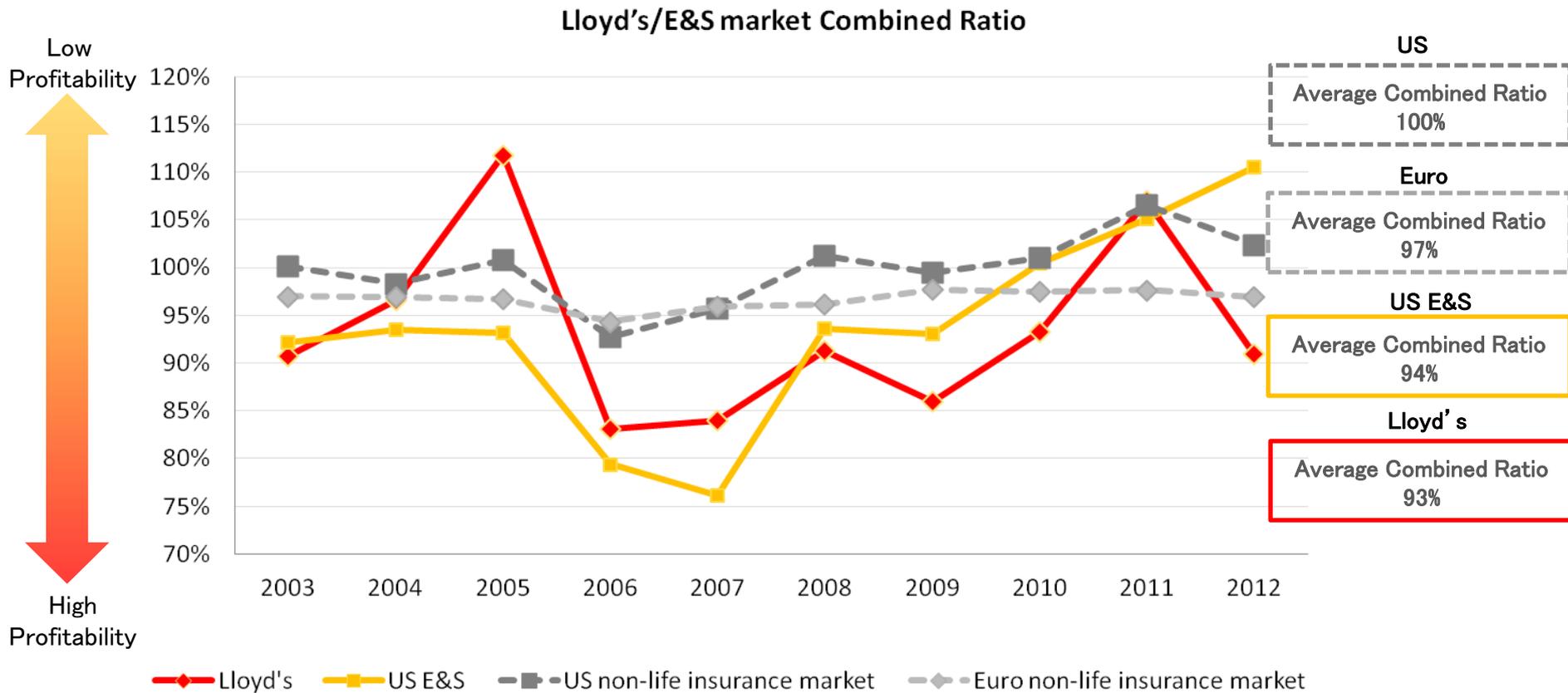


Source: AM Best

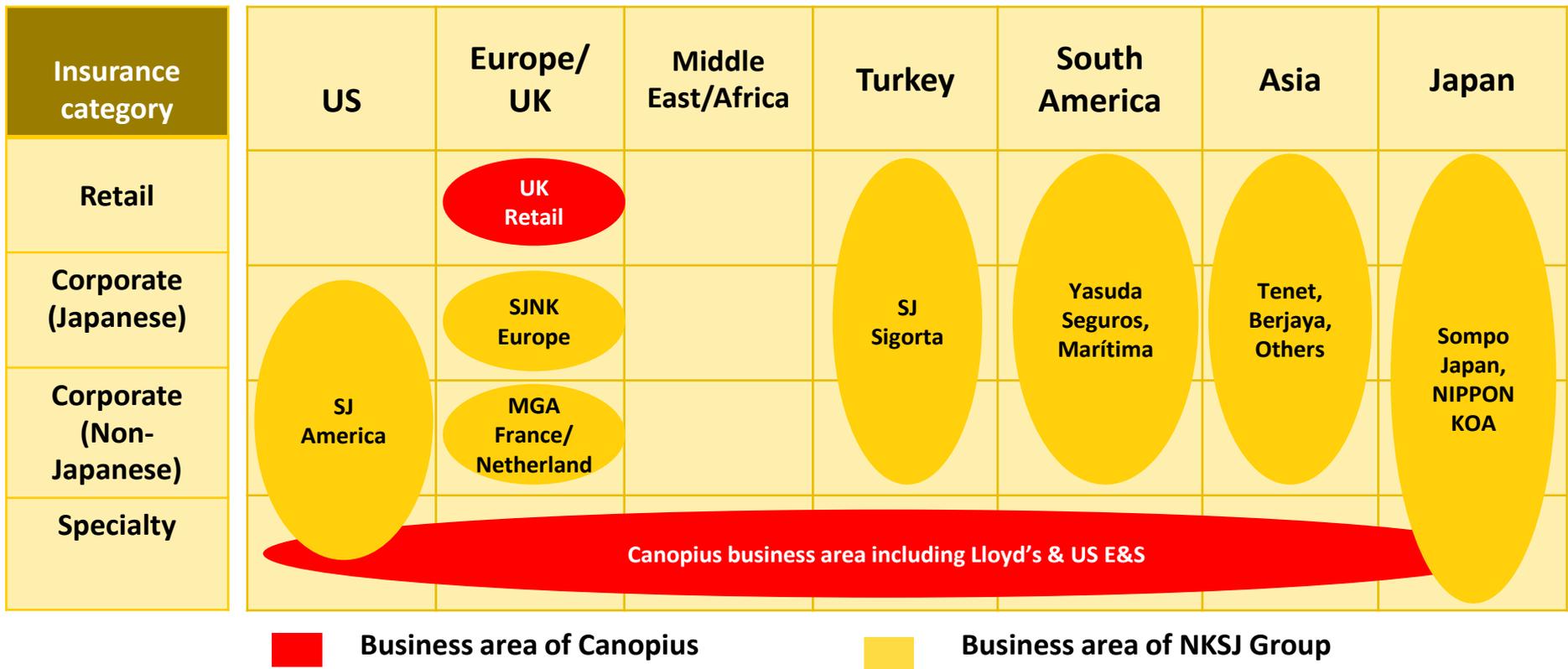
Exchange rate: \$1=102 yen

Full Entry into Specialty Market (3)

◆ Specialty Market business has higher profitability, with the Combined Ratio over the past 10 years in the Lloyd's Market at 93%, the US E&S at 94%, compared with the whole US non-life insurance market (100%) and European non-life insurance market (97%)



- ◆ NKSJ Group and Canopus have complementary business and geographical coverage
- ◆ Canopus is expected to pursue further growth mainly in the specialty market business and play role of the Group's Euro-American business platform



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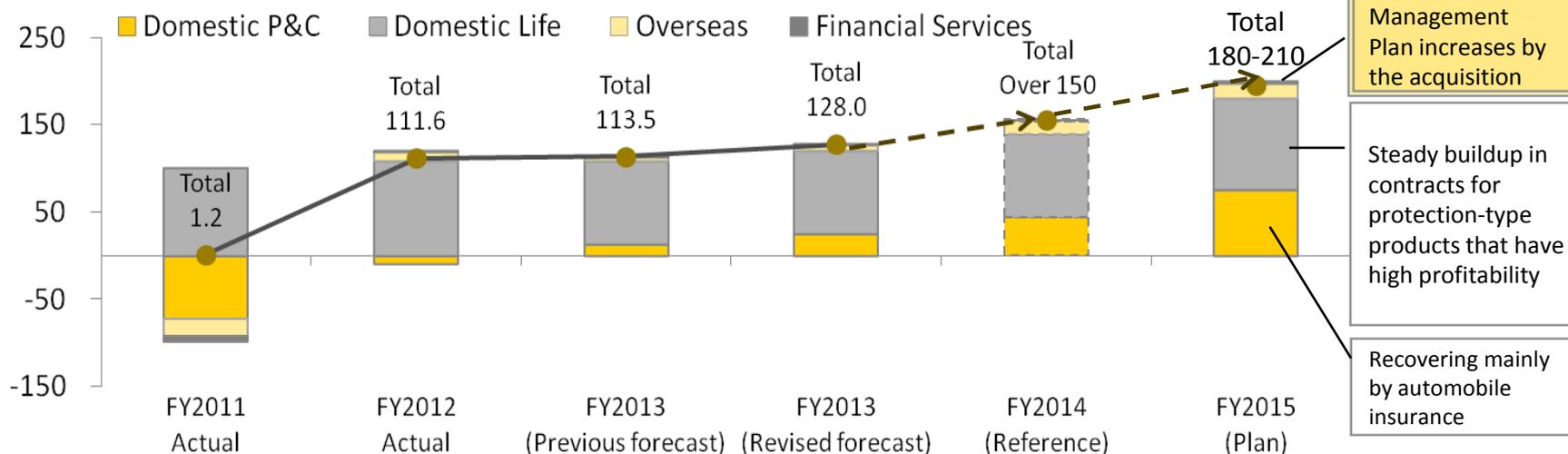
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Impact of This Transaction on Management Plan

◆ The acquisition of Canopus significantly increases the probability of achieving the NKSJ Management Plan, as a result of the sharp rise in revenues in the overseas insurance market

(Billions of yen)



Domestic P&C	-71.3	-8.9	12.9	25.3	-	70-80
Domestic Life	100.0	107.8	95.0	95.0	-	100-110
Overseas	-19.7	11.8	4.3	6.5	-	14-20
Financial Services	-7.6	0.7	1.1	1.1	-	2-3
Total (Adjusted consolidated profit)	1.2	111.6	113.5	128.0	-	180-210
Adjusted ROE	0.1%	5.4%	4.9%	5.4%	-	Over 7%

Purchase Price	594 million pounds in total* (99.2 billion yen)
Multiples	The purchase price is approximately equivalent to 1.5x the tangible net assets at 1H2013
Impact on Goodwill	Approximately £200million** (33.4 billion yen)
Shareholder Return	No anticipated change in NKSJ's profit distribution policies

*To be adjusted depending on the tangible net assets of Canopus as of December,31 2013

**Assuming the difference between the purchase price and 2013 1H TNAV is entirely accounted as goodwill

Note Regarding Forward-looking Statements

The forecasts included in this document are based on currently available information and certain assumptions that we believe reasonable. Accordingly, the actual results may differ materially from those projected herein depending on various factors.

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