Questions and Answers from December 18, 2013 Telephone Conference Regarding Canopius Acquisition

Business Forecasts and Business Outline for Canopius

Q: Canopius is expected to make a profit of 9.4 billion yen in FY2014. I believe that this forecast is based on the company's current business performance trends in FY2013 and other factors. Could you please go over Canopius' FY2013 business results and explain the background to any positive factors, and so forth?

A: This forecast is based on close scrutiny of the status of FY2013 business performance. In 2013, Lloyd's markets performed favorably on the whole. The main positive factors were no damage caused by large-scale natural disasters such as hurricanes in North America and a slight tightening trend in the North American property insurance market, where Canopius is strong. Also, we have started to see the benefits of Canopius' acquisition of Omega appear from FY2013. As a result, Canopius' profitability has been improving from FY2013 compared with profitability in FY2012 and before.

Q: What is the ratio of Canopius' reinsurance and original insurance underwriting operations?

A: Roughly speaking, Canopius' insurance operations break down into 35% reinsurance and 65% original insurance underwriting. By segment, Global Property has a considerable amount of reinsurance, while Global Specialty has a certain amount of reinsurance too. All of UK Retail is an original insurance underwriting business.

Q: Does Canopius revise its insurance underwriting portfolio?

A: Canopius has been reshaping its insurance underwriting portfolio, as appropriate. We believe that Canopius' business has become leaner as a result.

Q: Could you please tell us about Canopius' business relationship with its current shareholders?

A: Canopius' current shareholder is a private equity fund which became a sponsor of Canopius when it was founded in 2003 through a management buyout. Ever since, over the ensuing 10 years, the fund has been supporting the company as a shareholder. The fund has been a pure investor in Canopius, with no insurance business relationship.

Impact of Acquisition

Q: The Canopius acquisition represents an investment of around 100 billion yen. Judging by the NKSJ Group's current level of capital, the acquisition will have only a limited impact. However, could the acquisition possibly impact other policies? Could it, for example, prompt NKSJ to reduce strategic-holding stocks at a different pace?

A: We currently have no plans to change our schedule for reducing strategic-holding stocks. That said, as the Nikkei Stock Average shows an increasing trend at present, we have begun to examine the appropriate level of risk assets for the future.

Q: What is the monetary increase in the risk amount associated with the acquisition, both before and after deducting the diversification effect?
A: The increase in the risk amount is around 60 billion yen before deducting the diversification effect and just over 30 billion after deducting the diversification effect.

Q: Could you please go over any areas where Canopius has the potential to expand business and capture synergies in the future as a result of joining the NKSJ Group?
A: We intend to continue growing the overseas insurance business. We don’t believe that synergies can be generated in the short term. However, as an example of synergies between NKSJ and Canopius, NKSJ holds original insurance underwriting licenses in almost all Southeast Asian countries. We may be able to introduce Canopius’ expertise into this area.

Others

Q: Could you please go over your policy on the treatment of goodwill and the amortization schedule?
A: We are assuming a goodwill amortization period of 20 years. Based on this assumption, we will amortize goodwill of approximately 1.7 billion yen every year.

Q: Will Canopius’ management team remain in place?
A: NKSJ’s basic policy is to have the current management team remain in place, and we have taken measures to ensure retention. Canopius Chairman and CEO Michael Watson, the company’s central management figure, has shown a strong will to remain committed to the management of the company that he has nurtured. Top management of NKSJ and Canopius has agreed that Canopius will work together with NKSJ to develop the company further.

Q: Can I correctly assume that NKSJ’s investments overseas have settled down for the time being?
A: At the time of business integration in 2010, we planned to make overseas investments of 200 billion yen. Through to this acquisition, we have executed overseas investments of around 160 billion yen. We believe that this acquisition has significantly increased the probability of achieving the profit targets set forth in the FY2015 Management Plan. Looking ahead, we are proceeding with the integration and closure of overseas sites ahead of the merger of Sompo Japan and Nipponkoa. Furthermore, we launched the Global Business Management Dept. in July 2013, and have been working to enhance business management at existing sites. For now, we intend to focus on generating profits from existing businesses. M&As and other actions in the next management plan from FY2016 are an issue we will explore going forward.