

Questions and Answers From Fiscal 2012 First Half Telephone Conference

Automobile Insurance

- ◆ What are the reasons for the rising insurance payments per claim in the automobile insurance business?

At present, we have yet to precisely determine the reasons for the rising insurance payments per claim. We suspect that one reason may be the larger percentage of environmentally-friendly vehicles, which have high unit repair costs due to the complexity of parts.

- ◆ The profitability of the automobile insurance business is projected to worsen in the second half of the current fiscal year, despite improving in the first half. What are the reasons?

Considering that we have yet to identify the reasons for the rising insurance payments per claim, we find it difficult to implement effective countermeasures at this time. Against this backdrop, we believe that it is fair to assume that the upward trend in insurance payments per claim will persist. Accordingly, we expect net loss occurred to increase year on year in the second half of the fiscal year. We believe that this is a conservative yet sincere estimate.

- ◆ What lies behind the difference between the projected paid insurance claims in the automobile insurance business of Sompo Japan and that of Nipponkoa?

Recent data show a somewhat larger increase in the insurance payments per claim of Sompo Japan than Nipponkoa. In addition, Sompo Japan is projecting a higher number of vehicles insured, whereas Nipponkoa is projecting a decline in the number of vehicles insured. These factors account for the differences between the forecasts issued by the two companies.

- ◆ You project that the profitability of the automobile insurance business will deteriorate in the second half of the fiscal year. Will you continue to implement measures such as premium rate revisions?

We will continue to implement premium rate revisions and other measures from next year onward.

Overseas Insurance Underwriting

- ◆ Has there been any change in projections for the overseas insurance business in line with the recent forecast revisions? Could you also please go over any losses caused by Hurricane Sandy and their impact on the targets set forth in your plan?

We have upwardly revised our initial net income forecast of 6.3 billion yen to 9.9 billion yen. The main reasons for the revision were a more precise estimate of the net loss occurred caused by the flooding in Thailand and exchange rate movements (the yen's appreciation).

As regards Hurricane Sandy, we have yet to determine the contingent business interruption losses caused by the damage. However, we expect losses at the lower single digit billion yen at this stage. We have not reflected the expected losses from Hurricane Sandy in our revised net income forecast of 9.9 billion yen.

Strategic-Holding Stocks

- ◆ In your full-year forecasts, although you are projecting higher impairment losses on securities, there has been no change in projected gains on sales of securities. Is there any particular reason for this, such as speeding up sales of strategic-holding stocks? If so, please elaborate.

In view of sluggish stock prices, we are projecting impairment losses on

securities based on the Nikkei Stock Average of around 8,800 yen as of September 30. On the other hand, we have not revised our projection for gains on sales of securities. We are currently not considering further reducing our strategic-holding stocks. Over the next three years, we plan to steadily reduce strategic-holding stocks by 300 billion yen, including a reduction of 127.1 billion yen in the current fiscal year. Even if stock prices remain at low levels, we believe that we can partly offset the decline in gain on sales of securities with equity futures (sell), particularly those equity futures (sell) implemented by Nipponkoa at the beginning of the year when the Nikkei Stock Average was at 10,000 yen.

- ◆ You are planning to sell strategic-holding stocks of ¥127.1 billion during the current fiscal year. Does this figure reflect reductions through the sale of securities or does the figure include equity futures?

The figure reflects reductions of securities. Equity futures will be used to reduce exposure in the course of selling the securities. As we proceed with the sale of securities, we plan to buy back and close our short position in equity futures (sell).

Merger Costs

- ◆ NKSJ Holdings apparently plans to push back systems development-related costs to next fiscal year and beyond. What are the main reasons for pushing back these costs?

Because we switched the integration method to that of a merger, we have also revised the method of integrating information systems. Consequently, we will now incur and recognize these costs from next fiscal year onward.

- ◆ Could you please go over the timing for recognizing the one-time merger costs of 120 billion yen by fiscal year?

As announced today, we are forecasting one-time merger costs of 24 billion

yen in fiscal 2012 and 5.0 billion yen in fiscal 2015. Basically, most of these costs will be recorded under extraordinary losses. The remaining balance of roughly 100 billion yen in costs, representing 120 billion yen less 24 billion yen in fiscal 2012 and 5 billion yen in fiscal 2015, will be recognized in fiscal 2013 and fiscal 2014.

Shareholder Returns

- ◆ When will NKSJ Holdings receive dividends from subsidiaries and be able to execute stock buybacks? Could you go over the time-frame with reference to the Annual General Meeting of Shareholders?

Stock buybacks can also be funded by borrowings from subsidiaries and other entities. For this reason, funding issues are not the main reason for conducting stock buybacks next fiscal year. We are conducting the latest round of stock buybacks as one of the means of returning profits to shareholders for fiscal 2012. Therefore, we will execute these stock buybacks by the end of fiscal 2013. The dividend for fiscal 2012 will be put up for approval by the Annual General Meeting of Shareholders. However, we do not believe that the Annual General Meeting of Shareholders will restrict the timing by which we conduct stock buybacks.

- ◆ In published materials, NKSJ has stated that it will not change its policy on shareholder returns. However, don't changes in stock buybacks, dividends and so forth constitute a change in the policy on shareholder returns? Could you please once again confirm your policy on shareholder returns?

We have long adopted the following policy on shareholder dividends: "The Company has a basic policy of paying stable dividends, with the option of stock buybacks depending on capital conditions." There is no change to this policy. We intend to execute stock buybacks according to current capital conditions. We will also base our decision on the level of the Company's stock price. Given that NKSJ Holdings' stock price is extremely

undervalued at present, we have decided to proceed with the stock buybacks.

- ◆ Can I correctly assume that NKSJ Holdings will not change the amount of profits used for shareholder returns over the medium and long terms?

There has been no change in the profit indicators, nor has there been a change in the total payout ratio of 50% of adjusted consolidated profit, excluding the domestic life insurance business. Not all measures, such as premium rate revisions and business expense cuts, will be completed by fiscal 2015. However, considering that earnings in the P&C insurance business will increase on the whole over the medium term, we believe that a total payout ratio of 50% is well within reach.