

Share Exchange Plan and Business Plan for Establishing Joint Holding Company

SOMPO JAPAN INSURANCE INC.



NIPPONKOA Insurance Co., Ltd.



November 5, 2009

1. Summary of Share Exchange Plan

2. Business Plan of the New Group

【Note】

The Share Exchange is subject to the fulfillment of terms and conditions relating to the Share Exchange, including shareholder approval at extraordinary shareholders' meeting of each Party, regulatory notices and approvals stipulated by applicable Japanese and foreign laws, and absence of any other event that could be materially detrimental to the Share Exchange.

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2. Business Plan of the New Group

(1) Objectives of Business Integration

Establish a “new solution service group which provides customers with security and service of the highest quality and contributes to social welfare”

Basic principle	<ul style="list-style-type: none"> ○ Making all value judgments from the “customers’ perspective” and pursuing best business practices ○ Placing an emphasis on speed with the aim of quickly realizing the results of our growth strategy, business integration and operational alliance ○ Establishing equal and friendly relationships with any corporate or financial group as an independent New Group, with the understanding that the Parties will continue to operate under the Joint Holding Company ○ Maintaining a spirit of equality between the Parties ○ Expeditiously and aggressively implementing measures to boost the corporate value of the New Group as a whole
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<New Group’s Aspirations>

Provide the highest-quality security and service	Further strengthen the product development, the claims handling capacity, and the IT capability while providing an increasing number of customers with the security and service of the highest quality through the combined distribution channels of the group
Focus on business in Japan	Focus on business in Japan and enhance the brand value of the Parties in Japan as well as by sharing the business platform, improve the group management efficiency and further bolster their competitiveness
Provide a broad range of solutions friendly to the society and the environment	Provide a broad range of solutions to people’s lives and corporate activities in the areas of health, medical care and environment that transcend the conventional framework of insurance business Fulfill corporate social responsibility (CSR) and aim to achieve a sound balance between the environment and the business management through adoption of measures designed for global warming by maintaining proactive communications with various stakeholders
Maximize the shareholder value	Maximize shareholder value by efficiently allocating the management resources to business areas with growth potential including the life insurance business, the overseas insurance business and the asset management business and improving business efficiency in the group, and aim to realize fair and sustainable return to their shareholders Further strive to achieve transparency in corporate governance and seek to establish brand recognition for the group underpinned by profitability, growth potential, trust and soundness
Free, vigorous, open and energetic corporate culture	Use know-how and revitalize the organization through the provision of opportunities for employee interactions at various levels and regions as well as joint learning opportunities Aim to build up a group where agents and employees can feel satisfied with work and grow together as the best partners
Independent from the influence of any corporate or financial group	Establish equal and friendly relationships with any corporate or financial group as an independent group

(2) Share Exchange Schedule

March 13, 2009	Execution of the Memorandum of Understanding for business integration
July 29, 2009	Execution of the Share Exchange Agreement
October 16, 2009	Date of public notice of record date of extraordinary shareholders' meetings to approve the Share Exchange Plan ("Extraordinary Shareholders' Meetings")
October 30, 2009	Date of preparation of the Share Exchange Plan and execution of the Business Integration Agreement
October 31, 2009	Record date of Extraordinary Shareholders' Meetings
December 22, 2009 (tentative)	Date of Extraordinary Shareholders' Meetings
March 29, 2010 (tentative)	Delisting date on the Tokyo and Nagoya Stock Exchanges and Osaka Securities Exchange (SOMPO JAPAN and NIPPONKOA)
March 29, 2010 (tentative)	Delisting date on the Sapporo Securities Exchange and Fukuoka Stock Exchange (SOMPO JAPAN)
April 1, 2010 (tentative)	Date of registration of Joint Holding Company's incorporation
April 1, 2010 (tentative)	Listing date of Joint Holding Company's shares

*The above delisting date was set in accord with notices of "Abolishment of T+4 Settlement and Trading Suspension for a Predetermined Period" issued by Japanese stock exchanges. If T+4 settlement is not abolished as currently scheduled, the delisting date will be March 26, 2010 (tentative).

*This schedule may be changed by mutual consultation of both Parties if any unavoidable complications arise in the course of the above procedures.

(3) Share Exchange Ratio

◆ Share Exchange Ratio

Company name	SOMPO JAPAN	NIPPONKOA
Share exchange ratio	1	0.9

Note 1. One share of common stock of the joint holding company will be allotted for each share of common stock of SOMPO JAPAN, and 0.9 shares of common stock of the joint holding company will be allotted for each share of common stock of NIPPONKOA. However, the share exchange ratio may be changed through mutual consultation of both Parties if there are material changes in any of the conditions upon which the ratio was determined.

Note 2. New shares to be issued by the joint holding company (tentative): 1,722,802,230 shares of common stock
The number of shares to be issued by the joint holding company was calculated based on the total number of outstanding shares of the Parties as of March 31, 2009. In principle, the Parties plan to cancel their treasury stock holdings by one day before the share exchange's effective date. The number of new shares to be issued by the joint holding company consequently will differ from the above total.
The number of shares to be issued could also change if equity warrants issued by either of the Parties are exercised.

Note 3. Joint holding company's stock trading unit: 1,000 common shares

◆ Treatment of Equity Warrants and Warrant Bonds of Wholly Owned Subsidiaries

Holders of equity warrants issued by the Parties will be issued new equity warrants by the joint holding company in exchange for their existing warrants. Warrant exchange ratios will be determined based on the existing warrants' terms and the share exchange ratio. Neither of the Parties has any outstanding warrant bonds.

◆ Treatment of Treasury Stock Holdings of Wholly Owned Subsidiaries

In principle, the Parties plan to cancel there treasury stock holdings by one day before the share exchange's effective date.

(4) Profile of NKSJ Holdings

(1) Company name	NKSJ Holdings, Inc.
(2) Head office	26-1 Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo
(3) Nature of business	Management of P&C insurance companies, life insurance companies, and other companies controlled as subsidiaries pursuant to the Insurance Business Law, and other operations incidental thereto
(4) Capital stock	100 billion yen
(5) Fiscal year-end	March 31
(6) Net assets	To be determined
(7) Total assets	To be determined

(5) Structure of the New Group

NKSJ Holdings Inc.

Domestic P&C insurance business

SOMPO JAPAN

Saison Automobile and Fire

NIPPONKOA

Sonpo 24

Domestic life insurance business

Life insurance subsidiary

SOMPO JAPAN DIY Life

Overseas business

Overseas subsidiaries, etc

Other businesses

Asset management business

※Merge SJAM and ZEST

Risk consulting business

※Integrate SJRM and NKRC

Healthcare business

Environmental business

Defined contribution pension plan business

Other businesses

SJAM: SOMPO JAPAN Asset Management
ZEST: Zest Asset Management
SJRM: SOMPO JAPAN Risk Management
NKRC: NK Risk Consulting

SOMPO JAPAN Himawari Life

NIPPONKOA Life

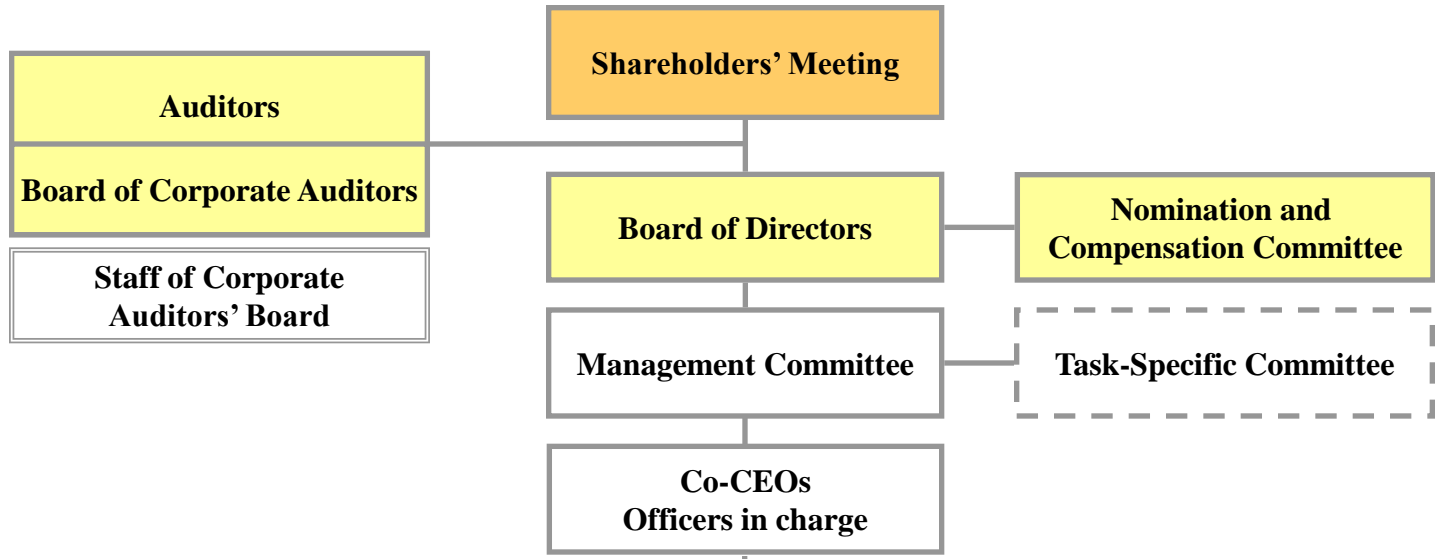
※Merge life insurance subsidiaries

Note: The above does not reflect the structure as of April 1, 2010 when the New Group will start.

(6) Business Strategy

<p>Domestic P&C insurance business</p>	<ul style="list-style-type: none"> ➢ The Parties have chosen an arrangement for business integration in which the Parties will coexist under the umbrella of the Joint Holding Company to prevent negative effect by merger. The Parties will aim to maximize business integration synergy quickly. ➢ The New Group will make use of its post-integration position and strengths. <ul style="list-style-type: none"> -Top-level P&C insurance share in approximately half of the prefectures in Japan -Strong sales base supported by exclusive, specialized professional agents -Competitive edge based on financial institutions-related agents, which are primary regional banks ➢ The Parties will seek to enhance operational efficiency and quality by sharing and standardizing their business platforms, including products, back office operations and IT systems. The Parties will seek to provide high quality service that meet needs of customers by taking the customers' perspective into account.
<p>Domestic life insurance business</p>	<ul style="list-style-type: none"> ➢ The Parties' life insurance subsidiaries (SOMPO JAPAN Himawari Life Insurance Co., Ltd., and NIPPONKOA Life Insurance Co., Ltd.) aim to merge within two years after the business integration. ➢ The Parties will strategically deploy management resources in life insurance business which are both currently on growth trajectories by offering products that meet customer' needs ➢ The Parties will seek to offer compelling products and services to a broader market by virtue of the business integration. ➢ The Parties will seek to reinforce sales promotion and improve service quality by shifting human resource and sharing know-how.
<p>Overseas business</p>	<ul style="list-style-type: none"> ➢ The Parties will pursue business expansion, mainly through M&As, in overseas insurance markets with promising growth prospects, capitalizing on their human resources and strengthened financial foundation following the business integration.
<p>Asset management business</p>	<ul style="list-style-type: none"> ➢ The Parties' asset management subsidiaries (SOMPO JAPAN Asset Management Co., Ltd., and ZEST Asset Management Limited) will aim to merge by a target date of fiscal 2010. ➢ The Parties aim to further boost their investment returns, increase their asset management know-how, and strengthen their asset management capabilities by transferring to a new asset management subsidiary their respective front-office operations that manage SOMPO JAPAN and NIPPONKOA's portfolios of securities held as pure investments. ➢ The Parties will endeavor to reduce strategic-holding stocks on an ongoing basis and improve management of strategic-holding stocks by using individual stock valuations provided by the new asset management subsidiary and other sources as one of the criteria for investment decisions.
<p>Other businesses</p>	<ul style="list-style-type: none"> ➢ The Parties' risk consulting (management) subsidiaries (SOMPO JAPAN Risk Management Inc. and NK Risk Consulting Co., Ltd.) aim to integrate by early in fiscal 2010. ➢ The Parties will collaboratively utilize their business infrastructure and accumulated know-how in other businesses such as healthcare, defined contribution (DC) pension plans, and environmental businesses.

(7) Corporate Governance (Management Structure)



Corporate Planning	Corporate governance, Business strategy, Capital policy, IR, CSR, PR	Corporate Legal	Corporate legal Shareholders' meeting
Corporate Management	Management of business plan and integration effect Management, support and internal control for group companies	Compliance	Compliance promotion
IT Planning and Administration	Integration of IT system and back office operations Governance of IT system	Risk Management	Risk management
Human Capital and General Affairs	Human capital strategy and management General affairs	Internal Audit	Internal audit
Accounting	Consolidated financial reporting, IFRS, Tax		

※Left: Name of department
Right: main roles in relation to group management

(8) Corporate Governance (Directors and Auditors)

Directors	Number of directors: 12 (including 6 outside directors) The term of office of directors is one year.
Auditors	Number of auditors: 5 (including 3 outside auditors)

Directors	
Chairman and co-CEO	Makoto Hyodo
President and co-CEO	Masatoshi Sato
Director (outside director)	Akira Genma
Director (outside director)	Tsunehisa Katsumata
Director (outside director)	Seiichi Asaka
Director (outside director)	Sumitaka Fujita
Director (outside director)	Yoshiharu Kawabata
Director	Yasuhide Fujii
Director	Yuichi Yamaguchi
Director (outside director)	George Olcott
Director	Kengo Sakurada
Director	Hiroyuki Yamaguchi

Auditors	
Auditor (outside auditor)	Koichi Masuda
Auditor (outside auditor)	Makiko Yasuda
Auditor (outside auditor)	Motoyoshi Nishikawa
Auditor	Atau Kadokawa
Auditor	Jiro Handa

Compensation
<p>Compensation of inside directors is composed of basic salary, performance pay compensation and stock compensation type stock option.</p> <p>Inside directors' performance is judged by adjusted ROE and net asset value per share, etc.</p>

※Directors and auditors excluding chairman and president are written in the above list according to the date of birth respectively.

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(1) Business Environment

Outlook for business environment	<ul style="list-style-type: none">-Declining birthrate, aging and depopulating society in Japan-Economic and population growth in emerging countries-Increase in risks due to global climate change and warming-Diversification of needs in conjunction with changes in lifestyles
Domestic P&C insurance	<ul style="list-style-type: none">-Automobile ownership projected to decline slightly from its current level-Housing starts projected to grow modestly from FY2008 level-Insurance needs projected to grow, mainly for new types of coverage, as risks become increasingly diversified and complex
Domestic life insurance	<ul style="list-style-type: none">-The third-sector market, mainly the medical insurance, projected to grow
Overseas	<ul style="list-style-type: none">-Insurance markets projected to grow, mainly in emerging countries
Others	<ul style="list-style-type: none">-Demand for defined contribution pension plans, asset management, healthcare services, etc., projected to grow in response to societal changes-Progress in global standardization of accounting and risk management standards
Assumption for business plan	<ul style="list-style-type: none">-The business plan is based on the assumption that the matters will stay around the current levels: Stock prices: Nikkei225 ¥10,000 Interest rates: 10-year JGB 1.35% Foreign exchange: ¥98/\$1, ¥130/€1

(2) Management Target

Adjusted consolidated profits	Breakdown	FY2009 (projection)	FY2014 (target)	<p>【Domestic P&C insurance】 net income + provisions to catastrophic loss reserves (after tax) + provisions to price fluctuation reserves (after tax) - gains/losses on securities sales and securities valuation losses (after tax) - extraordinary items</p> <p>【Domestic life insurance (subsidiaries)】 growth in embedded value (EV) -net of capital account transactions (e.g., equity issuance) - changes in EV attributable to interest rate movements</p> <p>【Overseas, financial services and others】 net income as reported in financial statements</p>
	Domestic P&C insurance	¥19 billion	¥90 billion (56%)	
	Domestic life insurance	¥9 billion	¥50 billion (31%)	
	Overseas	¥3 billion	¥16 billion (10%)	
	Financial services and others	¥(3) billion	¥4 billion (3%)	
	Total	¥28 billion	¥160 billion (100%)	
Adjusted consolidated ROE		1.6%	7%	※ () = proportion of composition

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

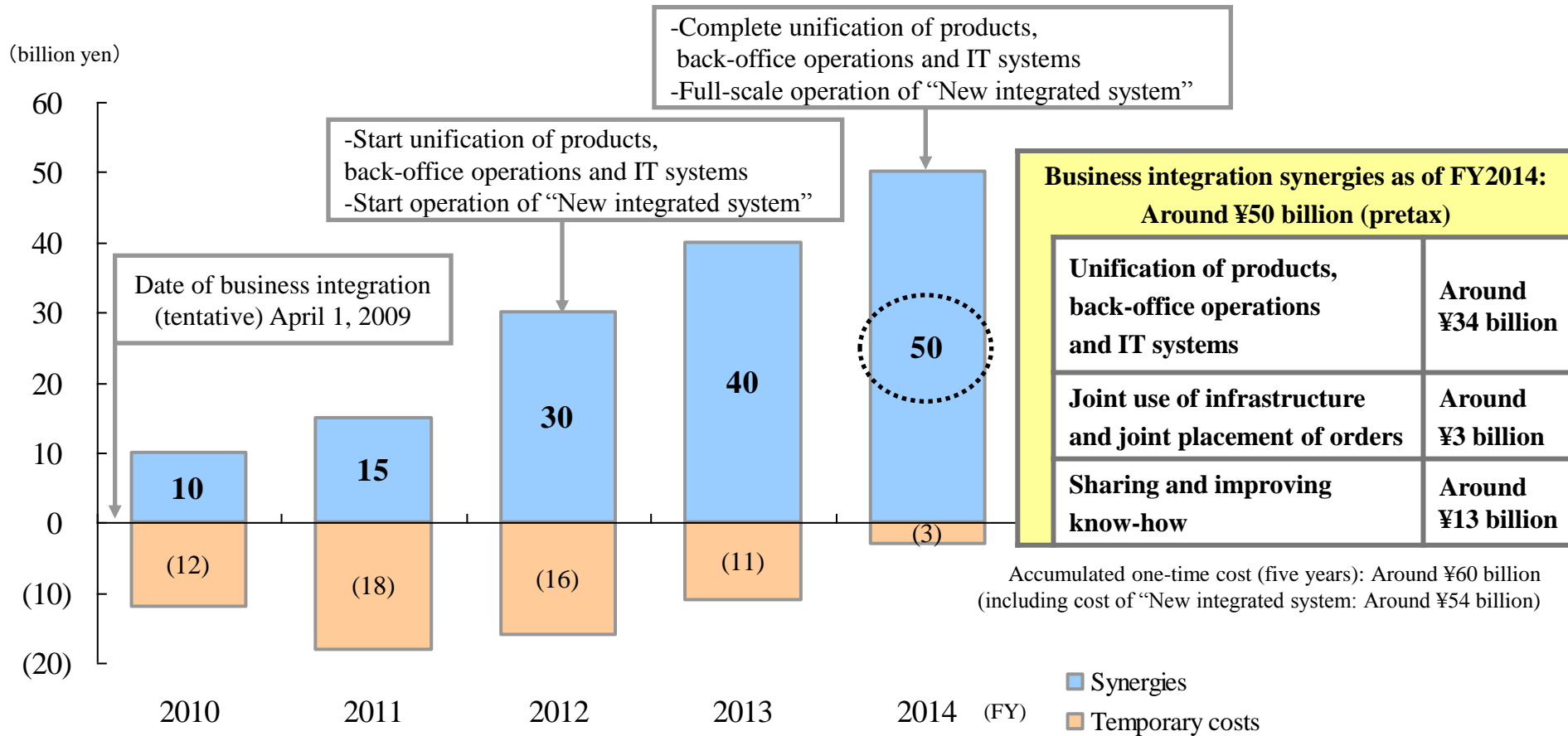
※All values in the denominator are the average of the fiscal-year opening and closing balances

<Definition of business>

①Domestic P&C insurance	Sum of SOMPO JAPAN and NIPPONKOA (non-consolidated)
②Domestic life insurance	Sum of SOMPO JAPAN Himawari Life and NIPPONKOA Life
③Overseas	Overseas subsidiaries
④Financial services and others	Saison Automobile and Fire, Sonpo 24, SOMPO JAPAN DIY, Financial services, Healthcare, etc.

(3) Business Integration Synergies

Business integration synergies in FY2014 (Five years after integration):
¥50 billion (pretax) ※compared to FY2009 (projection)



(4) Specific Measures to Create Synergies

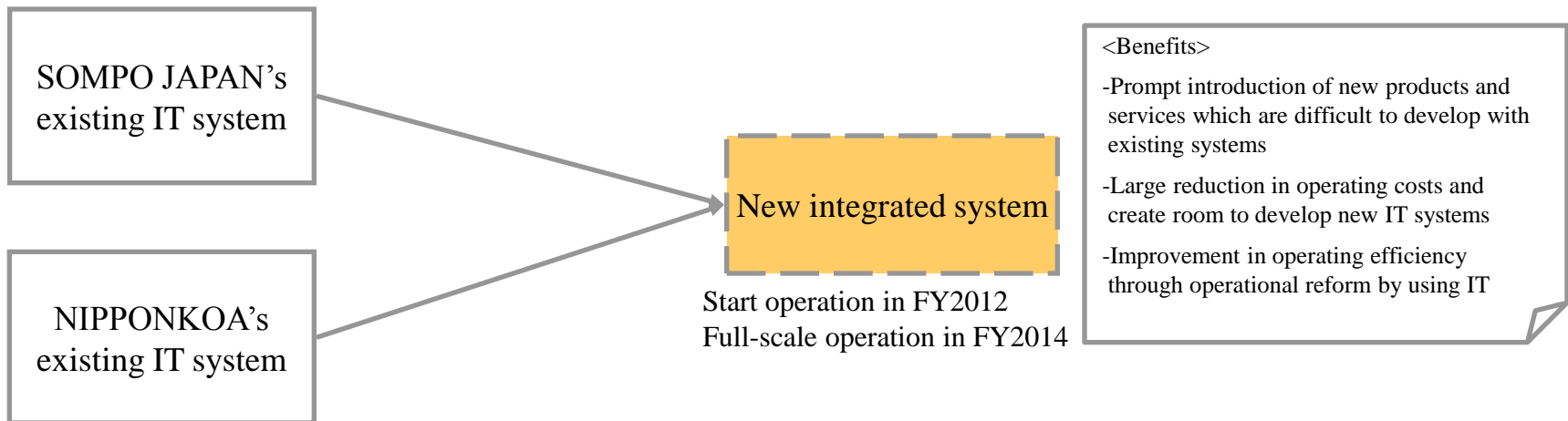
	Initiatives	Main measures	Synergies	
			FY2012	FY2014
Unification of products, back-office operations and IT systems	IT system integration and structural reform	Integration of all IT systems, complete foundational and structural upgrade of IT systems	Around ¥9 billion	Around ¥21 billion
	Standardization and unification of administrative processes	Standardization and unification of sales office processes (e.g., agents' online procedures, transition to cashless procedures)	Around ¥7 billion	Around ¥13 billion
	Other	Integration of customer centers' core IT systems		
Joint use of infrastructure and joint placement of orders	Sharing of printed materials, joint placement of orders, co-occupancy of real estate	Reduction in number of printed items, joint placement of orders of supplies, copy paper, etc., co-occupancy of offices, shared use of IT system backup centers	Around ¥3 billion	Around ¥3 billion
	Other	Co-occupancy of overseas offices, joint operation of claims processing subsidiaries, integration of compulsory automobile liability insurance back-office operations		
Sharing and improving know-how	Joint implementation of PT-R	Joint implementation of SOMPO JAPAN's retail business model reform project (PT-R)	Around ¥11 billion	Around ¥13 billion
	Loss prevention know-how	Loss prevention through joint eco-safety driving initiative		
	Integration of risk consulting services	Integration of risk consulting services		
	Other	Sharing of life insurance sales know-how, improvement in customer centers' productivity		
Total			Around ¥30 billion	Around ¥50 billion

(5) New Group's IT System Integration and Structural Reform

Overview

- The New Group plans to unify its administrative processes and IT systems, and complete foundational and structural upgrade of IT systems
- With the upgraded IT systems, the Group aims to substantially reduce operating expenses through reduction of system operating costs and improvement in operating efficiency

Simultaneous execution of IT system integration and structural reform

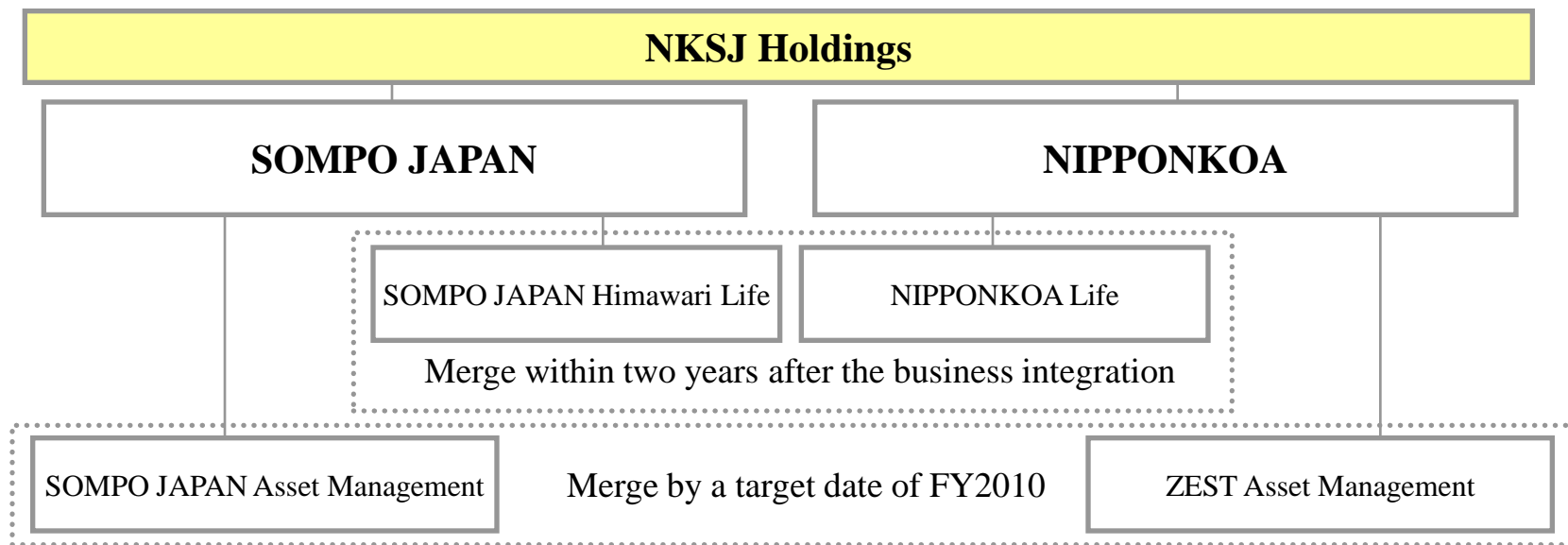


Costs and synergies by "New integrated system"	Costs	Around ¥54 billion (total of between FY2010 and 2014)
	Synergies	Around ¥21 billion per annum (in and after FY2014)

<Reference>

Unification of products, back-office operations and IT systems
 Costs: Around ¥60 billion
 (Total of between FY2010 and 2014)
 Synergies: Around ¥34 billion (FY2014)

(6) Life Insurance and Asset Management Business



Life insurance	<ul style="list-style-type: none"> ➤ Aim to increase life insurance subsidiaries' embedded value by ¥50 billion per yen in FY2014 by strategically deploying the New Group's management resources
Asset Management	<ul style="list-style-type: none"> ➤ Aim to further boost investment returns, increase asset management know-how, and strengthen asset management capabilities by transferring to a new asset management subsidiary their respective front-office operations that manage SOMPO JAPAN and NIPPONKOA's portfolios of securities held as pure investments ➤ Endeavor to reduce strategic-holding stocks on an ongoing basis and improve management of strategic-holding stocks by using individual stock valuations provided by the new asset management subsidiary and other sources as one of the criteria for investment decisions

(7) Overseas Business

Pursue business expansion in overseas insurance markets with promising growth prospects

- Capitalize on our financial foundation to be strengthened through the business integration.
- Pursue M&A in markets with favorable prospects for rapid growth and profitability (e.g., BRICs, ASEAN)

Recent milestones	SOMPO JAPAN	<ul style="list-style-type: none">-Established Asian regional holding company in Singapore (September 2008)-Chinese subsidiary opened branch in Guangdong (February 2009)-Established insurance brokerage subsidiaries in Korea and Taiwan (April and May 2009)-Acquired equity stake in Brazilian insurer Maritima Seguros (July 2009)
	NIPPONKOA	<ul style="list-style-type: none">-Established representative office in Moscow (October 2008)-Acquired equity stake in and strengthened business alliance with Thai insurer Navakij Insurance Public Co., Ltd. (March 2009)-Started operations of local subsidiary in Shenzhen, China (August 2009)

(8) Capital Policy

Basic policy	Aim to enhance corporate value by balancing the three imperatives of maintaining financial soundness, improving capital efficiency, and increasing shareholder payouts
Maintain financial soundness	<ul style="list-style-type: none">-Build an integrated risk management structure on a group basis, with a target credit rating of AA for the New Group (no need for increase in capital at present)-Continuously reduce strategic-holding stocks
Improve capital efficiency	<ul style="list-style-type: none">-Allocate capital to investments in growth businesses (e.g., overseas M&A) while maintaining financial soundness-Use individual stock valuations provided by the asset management companies as one of the criteria for investment decisions of strategic-holding stocks-Strengthen asset management operations through such means as transferring pure investment operations to the asset management subsidiary
Increase shareholder payouts	<ul style="list-style-type: none">-Payout of stable dividends as a basic policy and, where capital conditions permit, also utilize share buybacks as an instrument of shareholder returns-Target total shareholder returns equivalent to 50% of adjusted profits (excluding growth in life insurers' EV) <p><small>*Total shareholder returns: (Total amount of dividend + Total amount of share buybacks) / Adjusted profits (excluding growth in life insurers' EV) The indicator shows the proportion of shareholder returns on profits</small></p>

SOMPO JAPAN INSURANCE INC. (“SOMPO JAPAN”) and NIPPONKOA Insurance Co., Ltd. (“NIPPONKOA”) may file a registration statement on Form F-4 (“Form F-4”) with the U.S. Securities and Exchange Commission (the “SEC”) in connection with their proposed business combination. The Form F-4 (if filed) will contain a prospectus and other documents. If a Form F-4 is filed and declared effective, the prospectus contained in the Form F-4 will be mailed to U.S. shareholders of SOMPO JAPAN and NIPPONKOA prior to their respective shareholders’ meetings at which the proposed business combination will be voted upon. The Form F-4 and prospectus (if the Form F-4 is filed) will contain important information about SOMPO JAPAN and NIPPONKOA, the proposed business combination and related matters. U.S. shareholders of SOMPO JAPAN and NIPPONKOA are urged to read the Form F-4, the prospectus and other documents that may be filed with the SEC in connection with the proposed business combination carefully before they make any decision at the respective shareholders’ meeting with respect to the proposed business combination. Any documents filed with the SEC in connection with the proposed business combination will be made available when filed, free of charge, on the SEC’s web site at www.sec.gov. In addition, upon request, the documents can be distributed for free of charge. To make a request, please refer to the following contact information.

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Note Regarding Forward-looking Statements

This document includes “forward-looking statements” that reflect the plans and expectations of SOMPO JAPAN and NIPPONKOA in relation to, and the benefits resulting from, their proposed business combination and business alliance described above. To the extent that statements in this press release do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of SOMPO JAPAN and NIPPONKOA in light of the information currently available to them, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the actual results, performance, achievements or financial position of SOMPO JAPAN and NIPPONKOA (or the post-business combination group) to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. SOMPO JAPAN and NIPPONKOA undertake no obligation to publicly update any forward-looking statements after the date of this document. Investors are advised to consult any further disclosures by SOMPO JAPAN and NIPPONKOA (or the post-business combination group) in their subsequent domestic filings in Japan and filings with the SEC. The risks, uncertainties and other factors referred to above include, but are not limited to:

- (1) economic and business conditions in and outside Japan;
- (2) the regulatory outlook of the Japanese insurance industry;
- (3) occurrence of losses the type or magnitude of which could not be foreseen at the time of writing the insurance policies covering such losses;
- (4) the price and availability of reinsurance;
- (5) the performance of the two companies’ (or the post-business combination group’s) investments;
- (6) the two companies’ being unable to reach a mutually satisfactory agreement on the detailed terms of the proposed business combination or otherwise unable to complete it; and
- (7) difficulties in realizing the synergies and benefits of the post-business combination group.