

[English translation]

18 December 2013

Corporate Name: NKSJ Holdings, Inc.  
Representative: Kengo Sakurada, President  
(Stock Code: 8630, TSE 1<sup>st</sup> Section)

### **Acquisition of shares in Canopius Group Limited**

Today NKSJ Holdings, Inc. (“NKSJ”) agreed to acquire, subject to the approval of relevant regulators and through its wholly-owned direct subsidiary Sompo Japan Insurance Inc. (“SJ”), 100% of the issued shares of Canopius Group Limited, registered and incorporated in Guernsey (Chairman and CEO: Michael Watson, “Canopius”) from, amongst others, funds managed by Bregal Capital LLP (“Bregal”). With the acquisition of Canopius, the parent company of the Canopius group which is engaged in underwriting a diversified portfolio of business from its operations at Lloyd's and around the world, the NKSJ group further expands its overseas insurance business by entering into the overseas specialty market on a full scale. The acquisition price (approximately JPY99.2 billion) is the largest ever for an acquisition made by the NKSJ group<sup>1</sup>.

#### **1. Background of the Acquisition**

The NKSJ group considers the overseas insurance business as one of the keys to achieving a sustainable development cycle. In the mid-term business plan published in November 2012, NKSJ clarified its strategy for its overseas insurance business and set as a management performance goal adjusted group profits of JPY14 to 20 billion from its overseas insurance business in fiscal year 2015. This is to be achieved by increasing profits in the retail business in developing countries and the specialty area in developed countries.

To date, NKSJ's investment in its overseas insurance business has mainly been structured through investment in its retail business in developing countries - for example, the acquisition of Fiba Sigorta (Turkey) in 2010, the acquisition of Berjaya Sompo (Malaysia) in 2011 and the acquisition of further shares in Maritima (Brazil) in 2013 (which resulted in Maritima becoming a subsidiary of SJ).

During this period, NKSJ has been looking for a strategic investment opportunity for its overseas business in developed countries. The search has focused mainly on Europe and the US with the intention of entering into the overseas specialty area on a full scale in which, with the right opportunity, the NKSJ group can steadily achieve high profits. Today NKSJ agreed with its shareholders to acquire shares in Canopius, which is ranked in the top 10 in the Lloyd's insurance market. This market generates insurance premiums from approximately 200 countries in the amount of approximately JPY4 trillion per annum.

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<sup>1</sup> SJ will purchase Canopius shares from the three funds controlled by Bregal (set out in 4.(1) through (3) below) and eight members of Canopius' senior management (some of the individuals set out in 4.(4) below) pursuant to an SPA entered into with them today. SJ will acquire the remaining shares in Canopius from various minority shareholders using a mechanism set out in Canopius' Articles of Incorporation. The headline purchase price for 100 per cent of the share capital in Canopius is approximately GBP 594 million (to be adjusted based on the net tangible assets of Canopius as of 31 December 2013) with such amount to be allocated to the current Canopius shareholders in accordance with the terms of the various classes of shares as set out in Canopius' Articles of Incorporation.

## 2. Purpose of the Acquisition

### (1) Full scale entry into the overseas specialty market

The specialty market is a market in which property insurances and maritime insurances are underwritten through the use of high expertise and advanced techniques as seen in the Lloyd's insurance market and the Excess and Surplus market in the US. While the specialty market provides higher profit expectation than the ordinary corporate area, high underwriting skill is required to enter into the specialty market. By welcoming the Canopius group, which has a large presence in the specialty area, the NKSJ group enters into the overseas specialty market on a full scale with the aim to increase the NKSJ group's profits. The NKSJ group and the Canopius group have few overlaps in their areas and geography of business and, therefore, should complement each other.

### (2) Acquire platform for the overseas insurance business

The Canopius group has been developing its business in the specialty market through (i) superior management by a highly experienced management team; (ii) underwriting by skilled underwriters with a particular attention on discipline, (iii) reputation and credibility of the Lloyd's market; and (iv) a global network of brokers. Through the acquisition of Canopius the NKSJ group acquires a business platform for the overseas specialty area. In addition, NKSJ intends to further increase its group-wide competitiveness of the overseas insurance business through the sharing of Canopius' skills and know how with the NKSJ group, such as in relation to the execution of M&A transactions, techniques to enhance management of acquired entities and excellent HR strategy.

## 3. Overview of Canopius

The Canopius group combines strong underwriting skills and distribution channels with the use of M&A, to achieve a high gross insurance premium growth ratio of 10.9% on average in the last 5 years and ranks in the top 10 in the Lloyd's market. In addition, through implementing appropriate risk control and creating an efficient business portfolio, the Canopius group achieved a high ROE of 18% on average in the last 5 years (excluding 2011 due to numerous large scale natural disasters).

|   |   |  |
|---|---|--|
| (1) Corporate Name                        | Canopius Group Limited  |  |
| (2) Head Office                           | Ogier House, St Julians Avenue, St Peter Port, GY1 1WA, Guernsey  |  |
| (3) Representative                        | Chairman and CEO, Michael Watson  |  |
| (4) Main Business                         | Holding company   |  |
| (5) Capital                               | 190 million pounds (approximately 31.7 billion yen)   |  |
| (6) Incorporation                         | 24 October 2003   |  |
| (7) Major Shareholders                    | The Bregal Fund L.P. 50.3%<br>The Bregal Fund II L.P. 22.8%<br>The Bregal Fund III L.P. 22.3%<br>Directors and Employees of the Canopius group entities (93 individuals) 4.6% |  |
| (8) Relationship with NKSJ Holdings, Inc. | Capital Relationship  | None   |
|   | Human Relationship  | None   |
|   | Business Relationship   | NKSJ Holdings and Canopius group companies have entered into reinsurance |

|   | transactions. |               |               |
|---|---------------|---------------|---------------|
| (9) Consolidated financial results (last 3 years) |               |               |               |
| Fiscal Year                                       | December 2010 | December 2011 | December 2012 |
| Net Assets  | 298           | 237           | 358           |
| Total Assets                                      | 1,631         | 1,740         | 2,277         |
| Net Assets per Share                              | 845           | 680           | 1             |
| Gross Premium                                     | 564           | 616           | 692           |
| Profits before Tax                                | 40            | △64           | 48            |
| Net Income  | 41            | △60           | 47            |
| Net Income per Share                              | 116           | △171          | 0             |
| Dividends per Share                               | -             | -             | -             |
| Combined Ratio                                    | 92%           | 111%          | 95%           |

Note 1: In million pounds (excluding net assets per share, net income per share and dividends per share)

Note 2: Net assets per share, net income per share and dividends per share are calculated based on the existing ordinary shares as of the end of the relevant fiscal year.

#### 4. Overview of Sellers

##### (1) The Bregal Fund L.P.

|   |  |  |
|---|--|--|
| (1) Name  | The Bregal Fund L.P.   |  |
| (2) Head Office   | Michelin House, 81 Fulham Road, London SW3 6RD   |  |
| (3) Type of Fund  | Limited partnership formed under the UK Limited Partnership Act  |  |
| (4) Purpose of Fund                                       | Investment into shares and other securities in unlisted companies  |  |
| (5) Formation   | January 2003   |  |
| (6) Aggregate Capital                                     | Euro 706.6 million (aggregate for The Bregal Fund L.P., The Bregal Affiliates Fund L.P. and The Bregal Institutional Affiliates Fund L.P.) |  |
| (7) Investors, Investment Ratio and Overview of Investors | Not made public due to the fund's confidentiality obligations  |  |
| (8) Overview of the GP                                    | Name   | Bregal Capital General Partner Jersey Limited                                    |
|   | Head Office  | 2nd Floor, Windward House, La Route de la Liberation, St Helier, Jersey, JE2 3BQ |
|   | Representative   | Not made public due to the fund's confidentiality obligations                    |
|   | Business   | Management of limited partnerships   |
|   | Capital  | Not made public due to the fund's confidentiality obligations                    |
| (9) Standing Proxy  | N/A  |  |
| (10) Relationship with NKSJ Holdings, Inc.                | None   |  |

##### (2) The Bregal Fund II L.P.

|                     |   |
|---------------------|---|
| (1) Name            | The Bregal Fund II L.P.   |
| (2) Head Office     | Michelin House, 81 Fulham Road, London SW3 6RD                    |
| (3) Type of Fund    | Limited partnership formed under the UK Limited Partnership Act   |
| (4) Purpose of Fund | Investment into shares and other securities in unlisted companies |
| (5) Formation       | August 2005   |

|   |   |  |
|---|---|--|
| (6) Aggregate Capital                                     | Euro 1,060 million (aggregate for The Bregal Fund II L.P., The Bregal Affiliates Fund II L.P. and The Bregal Institutional Affiliates Fund II L.P.) |  |
| (7) Investors, Investment Ratio and Overview of Investors | Not made public due to the fund's confidentiality obligations   |  |
| (8) Overview of the GP                                    | Name  | Bregal Capital General Partner Jersey Limited                                    |
|   | Head Office   | 2nd Floor, Windward House, La Route de la Liberation, St Helier, Jersey, JE2 3BQ |
|   | Representative  | Not made public due to the fund's confidentiality obligations                    |
|   | Business  | Management of limited partnerships   |
|   | Capital   | Not made public due to the fund's confidentiality obligations                    |
| (9) Standing Proxy  | N/A   |  |
| (10) Relationship with NKSJ Holdings, Inc.                | None  |  |

(3) The Bregal Fund III L.P.

|   |   |  |
|---|---|--|
| (1) Name  | The Bregal Fund III L.P.  |  |
| (2) Head Office   | Michelin House, 81 Fulham Road, London SW3 6RD                    |  |
| (3) Type of Fund  | Limited partnership formed under Jersey Limited Partnership Act   |  |
| (4) Purpose of Fund                                       | Investment into shares and other securities in unlisted companies |  |
| (5) Formation   | June 2010   |  |
| (6) Aggregate Capital                                     | Euro 1,020.8 million  |  |
| (7) Investors, Investment Ratio and Overview of Investors | Not made public due to the fund's confidentiality obligations     |  |
| (8) Overview of the GP                                    | Name  | Bregal Capital General Partner III Jersey Limited                                |
|   | Head Office   | 2nd Floor, Windward House, La Route de la Liberation, St Helier, Jersey, JE2 3BQ |
|   | Representative  | Not made public due to the fund's confidentiality obligations                    |
|   | Business  | Management of limited partnerships   |
|   | Capital   | Not made public due to the fund's confidentiality obligations                    |
| (9) Standing Proxy  | N/A   |  |
| (10) Relationship with NKSJ Holdings, Inc.                | None  |  |

(4) Directors and Employees of the Canopus group entities

|                            |   |
|----------------------------|---|
| (1) Names                  | Michael Watson (Chairman and CEO of Canopus, UK resident)<br>Other directors and employees of the Canopus group entities (92 individuals <sup>2</sup> ) |
| (2) Relationship with NKSJ | No capital, human or business relationship with these   |

<sup>2</sup> Expected

|                |  |
|----------------|--|
| Holdings, Inc. | individuals or their relatives, companies majority owned by them or their subsidiaries |
|----------------|--|

**5. Number of shares to be acquired, acquisition price and number of shares held before and after the acquisition**

|   |  |
|---|--|
| (1) Acquiring Entity                                  | Sompo Japan Insurance Inc.   |
| (2) Target  | Canopius Group Limited   |
| (3) Number of Shares Held before the Acquisition      | 0<br>(number of voting rights: 0)<br>(voting rights ratio: 0.0%)   |
| (4) Number of Shares to be Acquired                   | 296,574,458 <sup>3</sup>   |
| (5) Acquisition Price                                 | GBP594 million (approximately JPY99.2 billion)<br>※to be adjusted based on the net tangible assets of Canopius as of 31 December 2013<br>※In addition to the acquisition price above, fees to advisors to be paid in relation to the acquisitions estimated to be approximately JPY1 billion |
| (6) Number of Shares to be Held after the Acquisition | 296,574,458 <sup>4</sup>   |

**6. Timetable**

|                  |                           |
|------------------|---------------------------|
| (1) Signing Date | 18 December 2013          |
| (2) Closing Date | 30 April 2014 (Expected*) |

\* subject to the approval of relevant regulators

**7. Estimated Impact on the NKSJ Group's Financials**

The acquisition does not affect the NKSJ group's financials for this fiscal year. Canopius' financials will be reflected in the NKSJ group's financials from the fiscal year 2014

**8. Others**

We used the exchange rate of 1GBP = JPY167.

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<sup>3</sup> Expected

<sup>4</sup> Expected

[Reference 1: Overview of Lloyd's insurance market]

Lloyd's has 325 years of history and is a unique market for insurance underwriting based in London, UK. Individuals and companies called "Members" contribute capital and form a syndicate which underwrites insurances. A syndicate is managed and operated by a company called a "Managing Agent". Currently there are 87 syndicates, which underwrite insurances requiring high expertise such as property insurances and maritime insurances through specially approved Lloyd's brokers. Lloyd's is rated at A+ by S&P, A by AM Best and A+ by Fitch Ratings.

[Reference 2: Overview of the US Excess and Surplus market]

In the US there is a market where agents, brokers and insurance companies with high expertise underwrite specialist non-life insurance which ordinary insurance companies do not underwrite. These include liability insurance for professionals, environmental contamination liability insurance and insurance for special risks. Insurance in this market can be underwritten on terms (including, but not limited to, business activity, location, prior loss ratio and insured amount) that are different from those set out in ordinary market guidelines. Since this market provides a large variation on which terms and premiums of insurances are underwritten, high underwriting skill is required.