<u>Q&A session at November 22, 2010 IR net conference</u>

- ◆ What is the outlook for incurred losses in the automobile insurance line? And what is the current situation with claims?

→ Loss ratios rose across the industry in the first half. Although the number of accidents eased off in October, one month does not make a trend and we remain cautious on this point. We plan to strengthen our underwriting and continue to promote safe and eco-friendly driving.

- ◆ Will the current increase in incurred losses in the auto line be reflected in the planned premium rate increase?

→ The upcoming premium revision will reflect a revision of the advisory pure premium rate announced in 2009. But we are also endeavoring to lower the loss ratio. We are presently considering how large of a premium rate hike will be needed at Sompo Japan next April.

- ◆ What is the impact of reinsurance on net premiums earned in the fire and allied lines? Will the business integration lead to changes in your reinsurance strategy?

→ Sompo Japan increased underwriting of large reinsurance contracts from overseas parties. Nipponkoa, on the other hand, increased its amount of reinsurance ceded in line with an increase in premiums from large corporate polices. As for our reinsurance strategy, we are working to determine the most suitable scheme for the group as a whole. Our future strategy will reflect economic practicalities and other considerations.

- ◆ Why has the combined payroll of Sompo Japan and Nipponkoa increased by 1,700 people?

→ Staff at Sompo Japan increased owing to the consolidation of a loss-adjustment subsidiary and an increase in insurance agent trainees. At Nipponkoa, the payroll expanded as a result of the shift of temporary staff to regular employee status and an increase in agent trainees.

- ◆ What are the reasons for shifting staff to the life insurance business? Is it due to the planned merger of life insurance subsidiaries? Will the transfer of staff to the life insurance business result in a decline in employee numbers in the property and casualty insurance business?

→ At present, we expect to move about 300 staff to the life insurance business. The staff shift has less to do with the merger than with the limited potential we see for expanding our domestic P&C business. Consequently, we are moving more of our resources into the life insurance business because we see more potential for growth there. As for your second question, yes, we expect the transfer of staff to the life insurance business will reduce employee numbers in our P&C business going forward.

- ◆ What is the outlook for sales of strategic-holding shares in the second half?

→ We made little progress with sales in the first half, but we are making steady progress in identifying candidates for sale based on market valuations of individual stocks. We plan to proceed steadily with sales in the second half.

- ◆ What kind of impact do you expect from policyholder cancellations of Himawari Life increasing term life policies?

→ We expect a certain number of cancellations of this type of policy to continue for the next several years. However, we do not expect it will have much impact on earnings because these policies account for a very small part of annual premium income.

- Given the prevailing business environment headwinds, including falling automobile insurance net profits, do you foresee any changes in plans to integrate the two casualty insurers?

  → Our business integration is proceeding on schedule, and we are not considering any revision of our plans at this time.

- Can you give us more details about the progress being made toward the fiscal 2010 goal of 10 billion yen in savings from integration synergies? Are the benefits reflected in your full-year forecasts?

  → Integration synergies are largely proceeding on schedule. The effects will be concentrated in the second half, but we are already seeing cost savings from a reduction in systems development expenses at each company, unification of the two company’s call center operations, and integration of postal and shipping operations. In addition, by sharing expertise in various areas, we are reducing unit repair costs and cooperating in campaigns to promote safe and eco-friendly driving. The benefits being realized in these areas are reflected in our earnings forecast.

- Could a change in adjusted profits cause a review of the dividend?

  → The two P&C insurers have sufficient cash reserves for dividend distributions. Our basic stance is to maintain a stable dividend through the sound and steady implementation of our business plan.