May 20, 2013 IR Conference Call — FY2012 Results Q&A

Domestic P&C Insurance Business

◆ In regard to underwriting profit in the domestic P&C Insurance business, could you please go over the actual FY2012 result and your FY2013 forecast, in comparison to the yearly underwriting profit forecasts presented in the management plan you announced last year?

Here, underwriting profit is defined as underwriting profit after adjustments to normalize natural disaster losses, excluding one-time merger costs. In November 2012, we announced a projected underwriting loss of 30.9 billion yen for FY2012. However, the actual result was an underwriting profit of 14.4 billion yen. Meanwhile, we announced a projected underwriting profit of 25.0 billion yen for FY2013 in November 2012. However, we are now currently projecting underwriting profit of 33.6 billion yen for FY2013. Moreover, we were expecting a year-on-year improvement of approximately 50 billion yen in ordinary profit when we announced our forecasts in November 2012. However, considering the improved figures we have already seen in FY2012, we now expect the underwriting profit forecast for FY2013 to improve by around 20 billion yen from the actual result in FY2012.

◆ What was the main reason for the better-than-anticipated underwriting profit in FY2012?

The main reason was improvement in the incurred loss ratio in the automobile insurance business.

Automobile Insurance

◆ The number of reported claims decreased in the fourth quarter. Can I correctly assume that the revision of the non-fleet driver rating system is beginning to produce benefits?

We are certainly seeing a declining trend in small insurance claims as a result of the revision of the non-fleet driver rating system. However, we have yet to conduct a detailed analysis of the extent of the revision’s benefits that we can show you at this time.

◆ I believe that the profitability of automobile insurance has been improved mainly due to a lower amount of paid insurance claims. What is driving this improvement: a decline in insurance payments per claim or a lower number of claims?

Although we have not monitored these numbers in detail, we continue to see an increase in insurance payments per claim. Therefore, we believe that the improvement in profitability has been mainly driven by a lower number of claims.

◆ Have you factored in the higher insurance payments per claim into your business forecasts for FY2013?

Our business forecasts for FY2013 are based on the same assumptions as those set forth in the medium-term management plan. Our forecasts assume that insurance payments per claim will increase to a certain extent.

Overseas Insurance Business

◆ Why do earnings decrease in the overseas insurance business in FY2013?

One common factor that lowers earnings at overseas subsidiaries is a decrease in investment income due to lower overseas interest rates for the U.S. dollar and other currencies. Also, we are integrating business sites and merging certain companies ahead of schedule at certain overseas subsidiaries. The increasing costs associated with these measures are the primary factor behind lower earnings.

Natural Disasters

◆ I believe that you are anticipating a certain amount of losses from natural disasters. I also presume that you have some outstanding claims related to the flooding in Thailand. In FY2013, do you expect the gain on reversal of catastrophic loss reserve for fire and allied lines to cover these losses in aggregate? If you do expect a reversal, what portion of the reserve do you expect to reverse?

In FY2012, we did not make as much progress with insurance claim payments of the Thai floods as we had expected. The result was that we booked a lower gain on reversal of catastrophic loss reserve than we had initially anticipated. In FY2013, we expect to make insurance claim payments of 21.1 billion yen related to the Thai floods. Since we do not have specific rules on which loss events will be covered by reversing the catastrophic loss reserve, we will not necessarily cover all of the FY2013 insurance payments for the Thai floods by reversing the catastrophic loss reserve. However, we may book a gain on reversal of catastrophic loss reserve equivalent to 21.1 billion yen.

Asset Management

◆ What was the amount of sales of strategic-holding stocks in FY2012? And how much do you expect to sell in FY2013?

In FY2012, the amount of strategic-holding stocks we sold was 197.8 billion yen. We had planned to sell strategic-holding stocks of 300 billion yen over the 3 years from FY2010 to FY2012. In FY2012, the third year, we had planned to sell strategic-holding stocks of 127.1 billion yen. Ultimately, we believe that we were able to sell a far greater amount of strategic-holding stocks than we had initially anticipated. In FY2013, we plan to vigorously reduce the amount of strategic-holding stocks we hold. While the amount of these sales will depend on market conditions, we will target nearly the same level of sales as in FY2012.

◆ Last year, you used equity futures to sell strategic-holding stocks. Are you taking the same approach in the current fiscal year? Could you please confirm your equity derivatives position as of the end of April?

We utilize equity futures as necessary to ensure that we reduce strategic-holding stocks. At the beginning of the previous fiscal year, Nipponkoa implemented equity futures (sell) for its entire projected annual sales amount of strategic-holding stocks. In the current fiscal year, we have not taken this approach up to now, but we plan to make effective use of equity futures while keeping a close eye on market conditions.

Merger-Related Costs

◆ As regards one-time merger costs, could you please confirm what one-time merger costs you booked in FY2012 and what one-time merger costs you forecast for FY2013?

In November 2012, we announced projected one-time merger costs of 24.0 billion yen for FY2012, and the actual result of 24.8 billion yen was largely in line with this. We also announced projected one-time merger costs of 16.0 billion yen for FY2013 in November 2012. However, we are now currently projecting one-time merger costs of 14.0 billion yen for FY2013. We do not believe that these projected one-time merger costs of 14.0 billion yen will change substantially going forward.

Consolidated/Non-Consolidated Differences

- The consolidation adjustment of ordinary income for FY2013 seems to be somewhat large. What are the main factors behind this other than Sompo Japan, Nipponkoa, NKSJ Himawari Life and purchase adjustments? How much has been the impact of each respective overseas and domestic group company?

Overseas earnings on an adjusted profit basis are 4.3 billion yen. The main reason of the remaining negative impact is Saison Automobile & Fire. Ordinary income for FY2012 was 6.7 billion in the red, and for FY2013 also it is projected to be in the red at 9.5 billion. We started promotions of this company in earnest in FY2011 and are currently at the stage of making upfront investments of promotion costs and of establishing system platforms. For some time ahead, we expect it to continue to be difficult to achieve earnings at this company.

Capital Management Policy and Shareholder Returns

- Could you please confirm your solvency ratio on an economic value basis at the end of FY2012?

At NKSJ, we now calculate our solvency ratio targeting an AA rating with the confidence level for the amount of risk as 99.95%. Our solvency ratio (capital / risk) on an economic value basis at the end of the year ended March 2013 was 146%.

- Could you please confirm your approach to shareholder returns based on these capital conditions.

As regards our projected dividend for FY2013, the fiscal year ending March 2014, NKSJ Holdings plans to pay an annual dividend per share of 60 yen (a 30 yen second quarter-end dividend and a 30 yen fiscal year-end dividend). As regards conducting stock buybacks as one of the means of shareholder returns for FY2012, there is no change to this policy. We intend to execute stock buybacks for a total of around 8 billion yen, which is equivalent to 20 yen per share. As regards the overall shareholder returns for FY2013, we will explain this at the IR meeting to be held next week.