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Revisions to Business Forecasts for FY2011  
Supplementary Material

January 27, 2012

**NKSJ Holdings, Inc.**

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# Overview of Revisions to Business Forecasts for FY2011 (Consolidated Business Performance)

Business forecasts were revised down due to the impact of the flooding in Thailand and the reduction in corporate income tax rate. Maintained dividend forecasts.

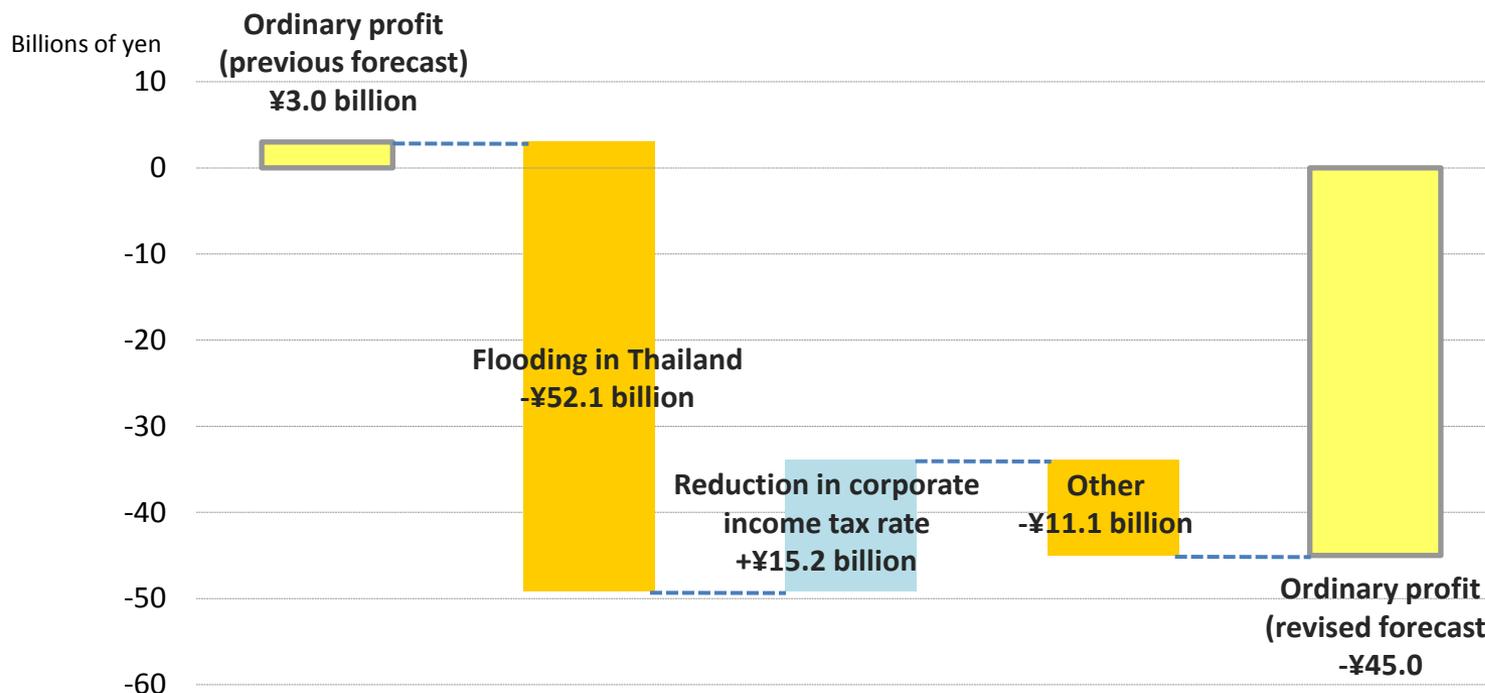
Billions of yen

	FY2010	FY2011 Previous forecast(a)	FY2011 Revised forecast(b)	Change (b-a)	YOY Change
<b>Ordinary income</b>	2,621.6	2,802.0	2,808.0	+6.0	+186.3
<b>Net premiums written</b>	1,933.2	1,986.0	1,985.0	-1.0	+51.7
<b>Life insurance premiums</b>	238.1	239.0	239.0	0.0	+0.8
<b>Ordinary profit</b>	-6.4	3.0	-45.0	-48.0	-38.5
<b>Sompo Japan (consolidated)</b>	19.8	30.0	-12.0	-42.0	-31.8
<b>Nipponkoa (consolidated)</b>	-0.6	11.0	4.5	-6.5	+5.1
<b>NKSJ Himawari (2H only)</b>		2.2	2.2	0.0	+2.2
<b>Consolidated adjustments*1 /others</b>	-25.6	-40.2	-39.7	+0.5	-14.0
<b>Net income</b>	-12.9	-12.0	-100.0	-88.0	-87.0
<b>Sompo Japan (consolidated)</b>	9.9	14.0	-63.0	-77.0	-72.9
<b>Nipponkoa (consolidated)</b>	-7.1	4.5	-18.0	-22.5	-10.8
<b>NKSJ Himawari (2H only)</b>		-3.3	-7.2	-3.9	-7.2
<b>Consolidated adjustments*1 /others</b>	-15.7	-27.1	-11.8	+15.3	+3.9
<b>Dividend per share</b>	20 yen	80 yen*2	80 yen*2		

\*1 "Purchase method" accounting was adopted in establishing NKSJ Holdings. "Consolidated adjustments" shown in the table above mainly results from using purchase method. In NKSJ consolidated financial statements, assets and liabilities of Nipponkoa are booked at the market value as of the completion of business integration. Therefore, book value used in Nipponkoa's statements and that used in NKSJ's consolidated statements are different. As a result, in calculating NKSJ consolidated profit, adjustments are necessary in Nipponkoa's realized gains on securities, etc.

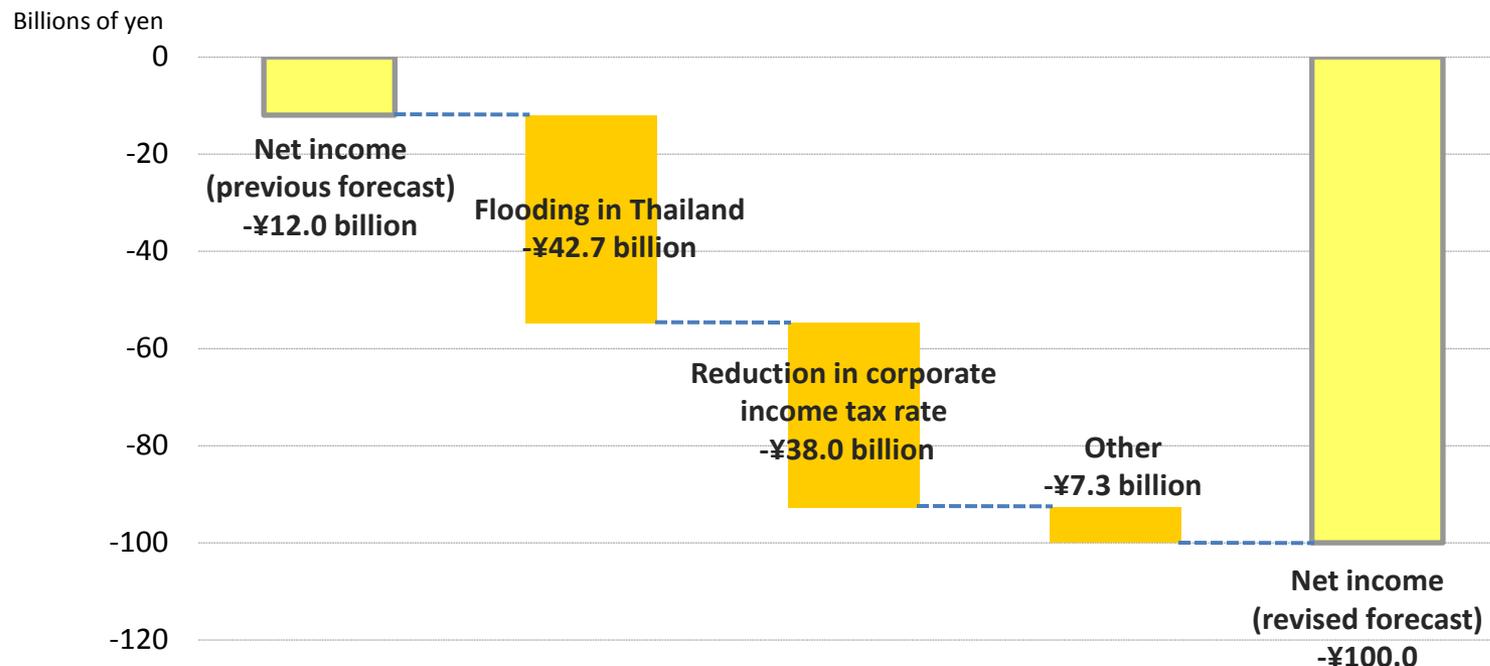
\*2 Expected dividend per share reflects reverse split of shares (4 into 1) as of October 1, 2011.

# Analysis of Main Factors Behind Revisions to Business Forecasts for FY2011 (Consolidated Ordinary Profit)



<Major factors>	Billions of yen		
	Previous forecast (a)	Revised forecast (b)	Change (b-a)
(1) Flooding in Thailand	-15.5	-67.6	-52.1
(2) Reduction in corporate income tax rate	-	15.2	+15.2

# Analysis of Main Factors Behind Revisions to Business Forecasts for FY2011 (Consolidated Net Income)



<Major factors>	Billions of yen		
	Previous forecast (a)	Revised forecast (b)	Change (b-a)
(1) Flooding in Thailand	-10.4	-53.1	-42.7
(2) Reduction in corporate income tax rate	-	-38.0	-38.0

**Both the domestic P&C insurance business and overseas insurance business were impacted by the flooding in Thailand.**

Billions of yen

		FY2010(A)	FY2011 Previous forecast (a)	FY2011 Revised forecast (b)	Change (b-a)
<b>Domestic P&amp;C insurance</b> ( Sampo Japan (non- consolidated) + Nipponkoa (non- consolidated) )	Net income	5.6	21.0	-54.4	-75.4
	+Assumption of cat loss reserve (net of tax)	20.1	-35.4	-45.0	-9.6
	+Assumption of price fluctuation reserve (net of tax)	5.6	5.6	4.2	-1.3
	-Realized gains on securities (net of tax)	16.7	31.2	31.3	0.1
	-Impairment losses on securities (net of tax)	-6.6	-18.4	-23.5	-5.1
	-Extraordinary items	-	-	-46.4	-46.4
	<b>Adjusted profit</b>	21.2	-21.6	<b>-56.6</b>	-34.9
<b>Domestic life insurance</b>	Increase in adjusted EV*	59.8	30.0	30.0	-
<b>Overseas insurance</b>	Net income as reported in financial statements	2.4	3.6	<b>-20.0</b>	-23.6
<b>Financial service business, etc</b>	Net income as reported in financial statements	-2.7	-5.3	-5.2	+0.0
<b>Adjusted consolidated profit</b>		80.7	6.6	<b>-51.8</b>	-58.4
<b>Adjusted consolidated ROE</b>		4.2%	0.4%	-	-

\* NKSJ has not revised the projected increase in adjusted EV in the domestic life insurance business.

- ◆ Estimated net incurred loss is approximately ¥100 billion.
- ◆ Impact on ordinary profit will be partially offset by the reversal of the catastrophic loss reserve.

- The main reason for the increase in estimated net incurred loss is that the damage ratio is much higher than initially anticipated following progress with on-site surveys.
- The estimated incurred loss was calculated by aggregating individual estimated incurred losses based on on-site surveys, and incorporating a certain safety margin based on an assessment by actuaries.
- Around half of the estimated net incurred loss of domestic P&C companies is expected to be paid during FY2011.

Billions of yen

	Estimated net incurred loss*2		Of which, portion to be paid in FY2011		Impact on ordinary profit for FY2011*3	
	Previous forecast	Revised forecast	Previous forecast	Revised forecast	Previous forecast	Revised forecast
<b>Sompo Japan</b>	12.2	36.1(+23.9)	6.1	15.5(+9.4)	6.1	20.6(+14.5)
<b>Nipponkoa</b>	15.0	36.5(+21.5)	7.5	18.2(+10.7)	7.5	18.3(+10.8)
<b>Overseas subsidiaries, etc*1</b>	1.9	28.7(+26.8)			1.9	28.7(+26.8)
<b>Total</b>	29.1	101.3(+72.2)	13.6	33.7(+20.1)	15.5	67.6(+52.1)

\*1 Including SJ Singapore and SJ Thailand.

\*2 Net amount after collection of reinsurance payments. The revised gross incurred loss estimation is approximately ¥260 billion.

\*3 The portion paid by the two P&C insurance companies during FY2011 will be funded by a reversal of the catastrophic loss reserve. Accordingly, the impact on ordinary profit will be offset by that amount.

## Negative impact of ¥38 billion on net income for FY2011.

- The corporate income tax rate will be reduced in two stages as a result of tax code amendments taking effect in FY2012.
- Consequently, NKSJ must reduce the stated value of deferred tax assets, which are taxes expected to be recovered in the future. This will have a negative impact on net income in FY2011.
- On the other hand, the stated value of deferred tax liabilities will be reduced, and the value of in-force business for life insurance will be increased. As a result, a net positive impact on adjusted consolidated net assets is expected.

### <Impact on the Effective Tax Rate of the Two P&C Insurance Companies>

	Current	2012/4 -	2015/4 -
Effective tax rate	36.1%	33.2%	30.7%
Reduction		-2.9%	-5.4%

### <Impact on Full-year Business Results for FY2011>

Billions of yen

	Ordinary profit	Net income
Sompo Japan	+10.2	-31.4
Nipponkoa	+5.0	-15.0
NKSJ Himawari Life	—	-3.9
Purchase adjustments	—	+12.3
NKSJ consolidated	+15.2	-38.0

#### ◆Purchase adjustments

Deferred tax liabilities were recorded when including the unrealized gains on stocks, etc. of Nipponkoa in shareholders' equity at the time of business integration. The reduction in these deferred tax liabilities will have a commensurate positive impact on net income in FY2011.

#### ◆Treatment Related to Compulsory Automobile Liability Insurance and Earthquake Insurance

In regard to deferred tax assets associated with taxable underwriting reserves and certain other items for compulsory automobile liability insurance and earthquake insurance, ordinary profit will increase because the reduction in these deferred tax assets will be accompanied by the reversal of the same amount of underwriting reserves, based on the principle of "no loss, no profit." (No impact on net income.)

# Impairment Losses on Securities (as of the End of 3Q FY2011)

- ◆ The main factor was falling domestic stock prices. Consolidation adjustments also had a large impact.
- ◆ NKSJ has not revised its stock-price assumptions for its revised full-year business forecasts from those for its previous forecasts.

## <Impairment losses on securities as of the end of 3Q FY2011>

Billions of yen

	Sompo Japan	Nipponkoa	Others	Consolidated adjustments*	NKSJ Consolidated
<b>Impairment losses on securities</b>	45.5	3.6	1.3	60.1	110.8
<b>of which, listed stocks</b>	41.5	3.2	0.0	60.1	105.0

### \* Consolidated adjustments

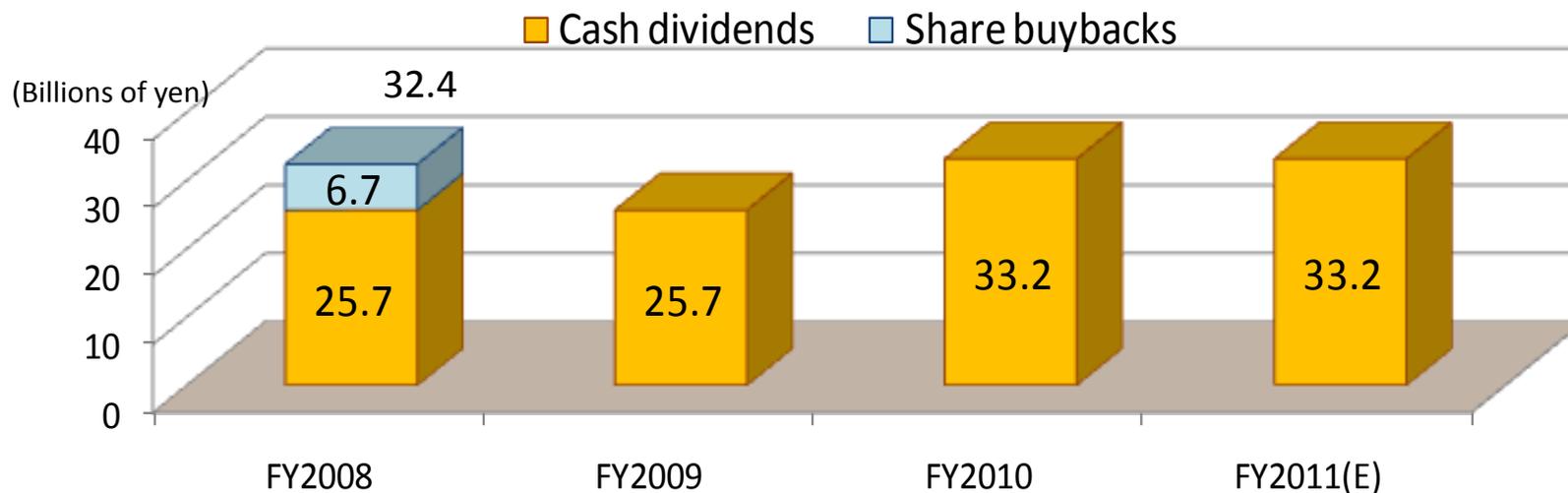
- "Purchase method" accounting was adopted in establishing NKSJ Holdings. "Consolidated adjustments" shown in the table above results from using purchase method.
- In NKSJ consolidated financial statements, assets of Nipponkoa are booked at the market value as of the completion of business integration (end of March 2010).

### <Reference: Trend in Nikkei 225>

End of March 2010	11,089	
End of March 2011	9,755	
End of September 2011	8,700	
End of October 2011	8,988	=> Assumed level in the previous forecast and the revised forecast
End of December 2011	8,455	
January 26, 2012	8,849	

**Maintain annual dividend of ¥80 per share with a focus on stable dividend payout policy.**

Trend in the amount of annual shareholder returns



- \* Figures for fiscal 2009 and prior years represent the sum of Sompo Japan and Nipponkoa.
- \* Cash dividends refer to dividend payments made in the subsequent fiscal year, while share buybacks refer to the amount of shares bought back during a given fiscal year.
- \* Excluding share buybacks not based on a resolution of the General Meeting of Shareholders or the Board of Directors, and share buybacks intended solely to confer shares upon the exercise of stock options.

### **Note Regarding Forward-looking Statements**

The forecasts included in this document are based on the currently available information and certain assumptions that we believe reasonable. Accordingly, the actual results may differ materially from those projected herein depending on various factors.

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