May 18, 2012 IR Conference Call — FY2011 Results Q&A

Thai Floods

◆ Insurance payments for the Thai floods have fallen further behind initial plans. Why? Also, when do you expect to complete these payments?

→ We are processing these payments while discussing with customers. In practice, we have found that customer needs for early insurance payments were not as strong as we expected. We expect to mostly complete these insurance payments by the end of the current fiscal year. The outstanding loss is expected to be 7.6 billion yen* as of March 31, 2013.

* A figure of 9.0 billion yen was mistakenly given during the conference call. The correct figure is 7.6 billion yen.

◆ When do you expect to book a gain on the reversal of catastrophic loss reserve due to the Thai Floods?

→ It is difficult to specify a precise time frame. That said, we do not expect to book this gain in the first quarter of the current fiscal year.

Insurance Underwriting

◆ To what extent will the combined ratio improve as a result of the 2.5% increase in premiums following revision of the non-fleet driver rating system in automobile insurance?

→ We expect a positive impact on the profitability of automobile insurance of around 2 percentage points during the entire period covered by the management plan.

◆ Why did the ceding ratio for fire insurance increase in FY2011, and what is the projected ceding ratio for FY2012? What is the outlook for transferring the burden of reinsurance premium increases to direct policies?

→ The higher ceding ratio for fire insurance in FY2011 reflects a change in the reinsurance scheme for household earthquake insurance, which reduced the burden of private-sector insurance companies, pushing up the ceding ratio. Furthermore, we expect higher reinsurance premiums particularly for fire insurance at Nipponkoa Insurance Co., Ltd. in FY2012. This is the main factor behind a projected decrease in net premiums written compared with the previous fiscal year. Transfers of reinsurance premium increases to direct policies will be conducted individually based on policy conditions and underwriting results.

Catastrophic Loss Reserve

◆ What impact will the change in the provision ratio for the catastrophic loss reserve at Nipponkoa have on earnings? Why was the provision ratio changed only at Nipponkoa?

→ We estimate an impact of 2.3 billion yen. Although Nipponkoa has a higher ratio of catastrophic loss reserve on net premiums written than Sompo Japan Insurance Inc., Nipponkoa has adopted the overseas branch method, by which Nipponkoa accounts for a high percentage of gains on the reversal of the catastrophic loss reserve due to the Thai floods. Accordingly, we decided to slightly increase the provision ratio only at Nipponkoa.

◆ What is the amount of reversal of catastrophic loss reserve for fire and allied lines (on a gross basis)?

→ The reversal is 57.0 billion yen at Sompo Japan and 38.7 billion yen at Nipponkoa.

Asset Management

◆ In regard to assumptions behind your forecast of sales profit of securities, have you determined the amount of risk assets such as strategic-holding stocks to be sold?

→ We had planned to sell strategic-holding stocks of 300 billion yen over the 3 years from FY2010 to FY2012. In FY2012, we are selling the outstanding balance of 127.1 billion yen as planed. We also consider additional sales of these stocks going forward.

Capital Policy

- ◆ What was your surplus as of March 31, 2012 (adjusted net assets minus total amount of risk)?

  → The total amount of surplus was approximately 400 billion yen. (From the current fiscal year, the surplus is stated on an after-tax basis.)

Merger-Related Costs (System-Related, Head Office Relocation and Other Costs)

- ◆ What is your forecast of system-related costs at Sompo Japan and Nipponkoa from FY2012 to FY2014?

  → We are projecting system-related costs of 16.9 billion yen at Sompo Japan and 7.4 billion yen at Nipponkoa. We are currently closely examining overall costs, with plans to announce them, including the cost schedule, in the fall of 2012.

- ◆ When do you expect to incur system-related costs during the current fiscal year in connection with the merger?

  → We do not expect to incur system-related costs in the first quarter.

- ◆ What factors are behind the difference between the consolidated ordinary profit forecast of 64.0 billion yen and the net income forecast of 24.0 billion yen?

  → We expect to make additional provisions for the price fluctuation reserve of 5.2 billion yen at Sompo Japan and 2.7 billion yen at Nipponkoa. The other main extraordinary losses are relocation costs of 5.0 billion yen at Sompo Japan and 2.5 billion yen at Nipponkoa in order to co-locate Head Office functions.

- ◆ Besides systems-related costs and relocation costs associated with the co-location of Head Office functions, what costs have yet to be incorporated into the costs related to internal group realignment?

→ Other costs include those associated with changing the company name. We will closely examine all such costs by the fall of 2012.