

Strategies in Focus

In “To Our Shareholders” we presented an overview of our new two-year medium-term business plan, which began in fiscal 2009, and discussed our plan for the business integration with SOMPO JAPAN INSURANCE INC. In this section, we provide a more detailed description of our business strategies.

1. Increasing the Underwriting Balance

The profitability of NIPPONKOA’s core insurance business is reflected in its underwriting balance. In fiscal 2008 we implemented several measures designed to increase our underwriting balance. To achieve a low, stable loss ratio, we strengthened our underwriting and accident prevention operations. We also introduced measures to drastically cut expenses. These steps have helped to boost earnings. In fiscal 2009 we will maintain this focus on profits, and will promote improving profitability of each of our business units.

(1) Measures to Improve the Loss Ratio

NIPPONKOA is working to build a high-quality insurance portfolio by taking a cautious stance toward underwriting. We also help our policyholders develop accident prevention measures.

Specifically, we are taking steps to identify agencies where the loss ratio is consistently high, and after a thorough inspection and analysis of their portfolios, we are providing them with guidance on how to improve their underwriting. Agencies that show little sign of improvement may be subject to cancellation of their agency contracts with us.

Similarly, with regard to individual policies (policyholders) with high loss ratios we are utilizing driver safety tests and other means to help promote accident prevention.

For car fleet insurance customers we have introduced an “Eco-safe driving contest,” which is helping to significantly reduce the number of accidents while also providing benefits to the environment.

We will continue to reinforce these measures to maintain claims payments at reasonable levels, and to achieve low, stable loss ratios.

(2) Improving Profitability at Each Business Unit

NIPPONKOA has introduced a new system to enable a detailed analysis of profitability at each of our business units, broken down both by product and sales channel. This new system now makes it possible for us to quickly develop and implement effective measures to improve profitability at the unit level, and is expected to contribute to an expansion in earnings for the Company as a whole.

Cautionary Statement: This publication contains estimates, projections, targets, and other figures and statements related to the plans and future performance of NIPPONKOA Insurance Co., Ltd. (the “Company”) and its subsidiaries. These estimates, projections, etc., are not historical facts. Rather, they are forward-looking figures and statements based on the Company’s assumptions and beliefs in light of the information currently available to it.

Accordingly, these figures and statements involve risks and uncertainties and do not guarantee actual future performance results. The Company cautions you that a number of factors could cause actual performance results to differ materially from those contained in this publication. Such factors include, but are not limited to, the items listed in “Information on Risks and Uncertainties Related to Operations” on page 40 of this annual report.

2. Securing Premium Income

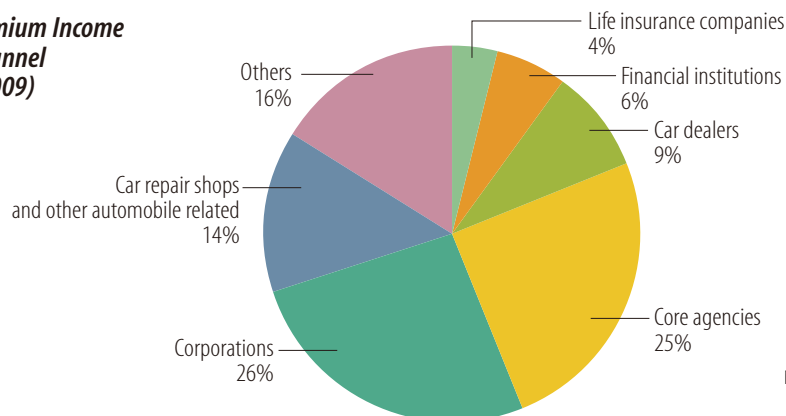
NIPPONKOA recognizes that boosting premium income is essential to greater profitability. However, although the business climate for the non-life insurance industry improved slightly, conditions remain harsh. Our target for fiscal 2009 (ending March 31, 2010) is to maintain premium income at the previous year's level, with the exception of compulsory automobile liability insurance. Due to the reinsurance scheme of compulsory automobile liability insurance, the effects of mandatory rate reduction in fiscal 2008 will continue for four months in fiscal 2009, so a decline in premium income is expected. To establish a solid earnings base, we are prioritizing quality (profitability) of the insurance portfolio over premium growth.

(1) A Diverse Sales Network

NIPPONKOA derives its premium income from a diverse network of sales channels. We believe that this diversity enhances our ability to cope with changes in the business environment while giving us steady access to a wide range of customers. We intend to maintain this diverse sales network and use it as a means of securing a stable premium income.

The breakdown of NIPPONKOA's premium income by distribution channel during fiscal 2008 is shown in the following chart.

■ **Breakdown of Premium Income by Distribution Channel (As of March 31, 2009)**



Note: Sales composition percentages as of March 31, 2009 (excludes savings-type insurance).

(2) Key Initiatives

NIPPONKOA, based on considerations of marketing efficiency and growth potential, is focusing particular attention on the four sales channels shown on the right side of the chart below: core agencies, car dealers, financial institutions, and life insurance companies (alliance partners). These are channels where we have a competitive edge, and where marketing efficiency is high, with the amounts of premium income generated per agency relatively large.

Core agencies are a group of approximately 2,100 professional agencies throughout Japan with whom NIPPONKOA has established close relationships over many years. These core agencies are extremely loyal to us, and as insurance professionals their expertise in consulting sales is a powerful aid to our marketing initiatives. We actively provide support for the business expansion of core agencies that consistently seek greater efficiency and increased revenues, including assistance of their corporatization.

NIPPONKOA has also put in place an agency trainee system. Under this system, candidate agents are hired as temporary employees, and receive training over a three-year period to enable them to establish new core agencies of their own.

Car dealers are by far our best marketing outlet among sales channels that primarily handle automobile insurance, in terms of both scale and efficiency. NIPPONKOA is not dependent on any particular carmaker, but instead maintains relationships with a wide range of car dealerships. Approximately 10% of our voluntary automobile insurance is sold through this channel.

Financial institutions comprise one channel where NIPPONKOA has a competitive advantage. We have established strong relationships with financial institutions throughout Japan, including major banks in all regions of the country, and have accumulated a great deal of expertise in working with such institutions.

Now that restrictions on the selling of insurance through financial institutions have been lifted, the Company is actively promoting the sale of automobile insurance at such institutions through the intermediary agency system developed by its subsidiary Sonpo 24 Insurance. We plan to further strengthen this powerful new sales channel for growth in Group earnings.

Life insurance companies (alliance partners) are an especially distinctive sales channel. We have had a cooperative selling agreement with Taiyo Life Insurance

Company since March 2002, and with Meiji Yasuda Life Insurance Company since January 2004, under which sales people from both companies sell NIPPONKOA's non-life insurance products. NIPPONKOA is the only non-life insurance company in Japan to have succeeded in forming such marketing agreements with several major life insurance companies. This marketing approach holds much potential, and we anticipate strong growth through this channel in the future.

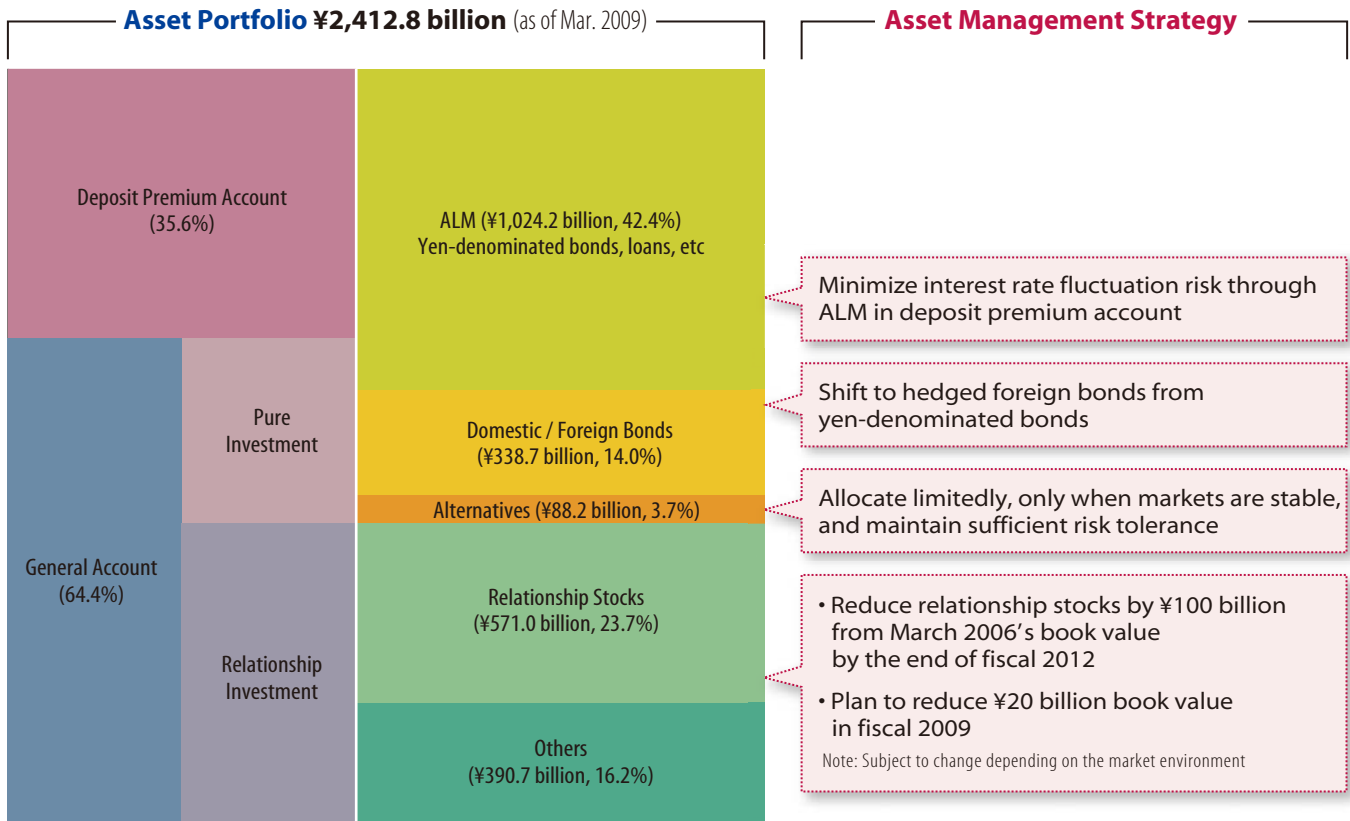
As described above, NIPPONKOA has maintained close connections with major regional financial institutions, and has succeeded in establishing cooperative sales agreements with several life insurance companies. We have been able to develop these highly flexible alliance strategies primarily because we are an independent company and not affiliated with any particular corporate group.

We will continue to pursue a variety of other strategic alliances designed to increase premium income.

3. Asset Management Strategies

NIPPONKOA is remaining focused on a sound and solid asset management strategy, while carefully monitoring trends in the unstable financial markets, and paying close attention to risk management. At the same time, we

are working to achieve stable returns by improving our asset portfolio.



*1: () Asset balance amount, component percentage, on the market value basis

*2: Other major components: cash and deposits (¥72.1 billion), loans (¥74.1 billion), real estate (¥116.9 billion), etc.

(1) Balancing Our Portfolio

One of the biggest challenges we face in creating a more balanced asset portfolio is reducing our investments in relationship stocks. It has been a long-standing custom in Japan for non-life insurance companies, including NIPPONKOA, to own large amounts of stock in client companies. In the past, this practice helped us to cement relationships with client companies and the large amount of unrealized gains on these stocks reinforced our financial base. However, with the maturation of the Japanese economy and liberalization of the insurance market, it has become increasingly important to control the risks associated with stock price fluctuations. To accomplish this, we will continue our efforts to bring the balance of relationship stocks held for strategic purposes within the range of shareholders' equity.

Another important challenge is to strengthen asset and liability management (ALM). NIPPONKOA seeks to optimize its risk-return balance through proper management of interest rate risk. For this reason, we invest the proceeds from sales of relationship stocks primarily in fixed-income securities. This also helps us to secure and maintain the liquidity needed to cover insurance claim payments.

(2) Achieving a Stable Return on Assets

As we move to create a more balanced portfolio, we are reducing our holdings of relationship stocks. Proceeds from the sales of these stocks are being reinvested in fixed-income securities to help maintain adequate liquidity. In fiscal 2009, we intend to shift into hedged foreign bond and other funds that promise relatively high returns.

On the other hand, to improve our pure investment returns for several years, we had been increasing our holdings of alternative investments, but as the turmoil in financial markets continued through fiscal 2008 we reshuffled and sold off some of these assets. Should markets stabilize in fiscal 2009 and risks fall to tolerable levels, we may reinvest in alternative investments, on a limited basis, aiming to achieve future returns and diversify risk.

4. Life Insurance Business

NIPPONKOA considers life insurance and non-life insurance to be its two core businesses. The inclusion of life insurance not only allows us to offer a more expanded product lineup to better meet the needs of our customers, but it also enhances the stability of our business management by complementing the more volatile non-life insurance business, which is susceptible to losses from natural disasters and other influences.

NIPPONKOA Life Insurance Co., Ltd. is a core subsidiary in the NIPPONKOA Insurance Group, with responsibility for its life insurance business. Its business has grown steadily since the start of operations in October 1996, and embedded value as well as the amount of business in force for individual contracts has continued to increase.

NIPPONKOA Life Insurance Company's marketing strength lies in its consulting sales centered on a network of core agencies of its parent company. These core

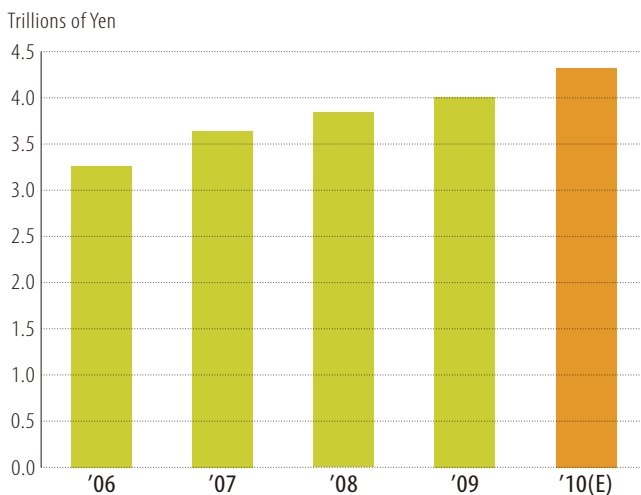
agencies are able to accurately recognize shifts in customer needs arising from such factors as the continued falling birthrate and aging population, as well as changing lifestyles, and link these to expanded sales of life insurance products.

Sales through financial institutions and their affiliated agencies is an area we intend to further strengthen going forward. Financial institutions are an important marketing channel where we can exercise a competitive advantage. We believe there is ample room for further growth in life insurance product sales, including products for corporate clients in this channel.

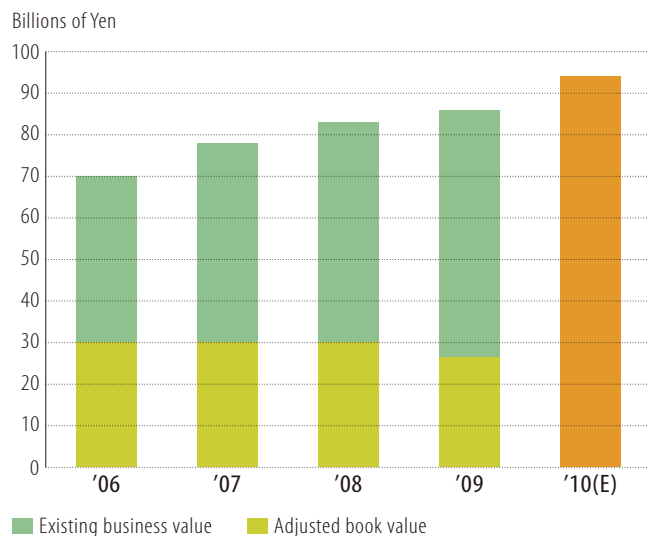
As a result of the steady expansion of business, we achieved the standard policy reserve at the end of fiscal 2008 (ended March 31, 2009), and we forecast that from fiscal 2009 our life insurance business will begin to contribute to consolidated profits.

NIPPONKOA Life Insurance's Numerical Targets for Fiscal 2009

■ Amount of Policies in Force (Individual)



■ Embedded Value (Life Insurance Subsidiary)



Note: Total number is shown for fiscal 2009

5. Sonpo 24

Sonpo 24 Insurance Co., Ltd. was added to the NIPPONKOA Insurance Group in July 2004 as a non-life insurance company specializing in direct sales of voluntary automobile insurance. Sonpo 24 specializes in straightforward voluntary automobile insurance coverage at competitive premiums, and alongside NIPPONKOA, plays a role in reinforcing the Group's core non-life insurance business. NIPPONKOA is the only major non-life insurance company in Japan with a direct sales entity that is also a wholly owned subsidiary.

Sonpo 24 has two unique characteristics as a direct-sales insurance company. First, it can take advantage of NIPPONKOA's service network to provide high-quality claims-handling services nationwide. Second, in addition to Internet sales it can reach customers through a system of intermediary agencies.



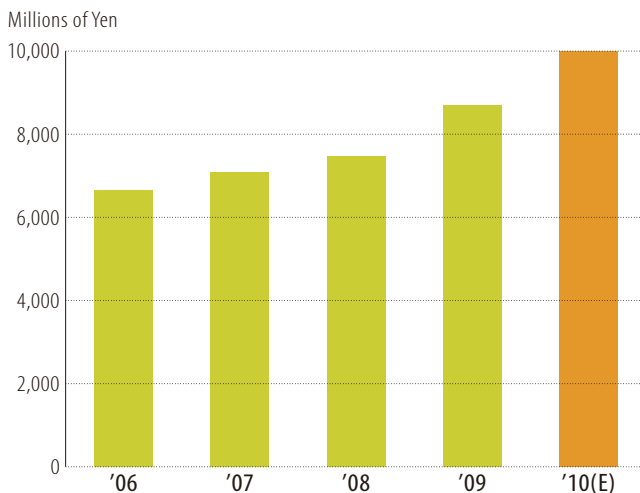
Sonpo 24's character
"HANA-KOALA"

Intermediary agencies earn a fee whenever they introduce a customer to Sonpo 24. Explanation of important policy terms, conclusion of contracts, collection of premiums and other underwriting tasks are handled by Sonpo 24, significantly reducing the paperwork at the agency level. NIPPONKOA believes that this intermediary agency system is an ideal business model for sales through financial institutions, and has been aggressively making proposals for agency contracts to them.

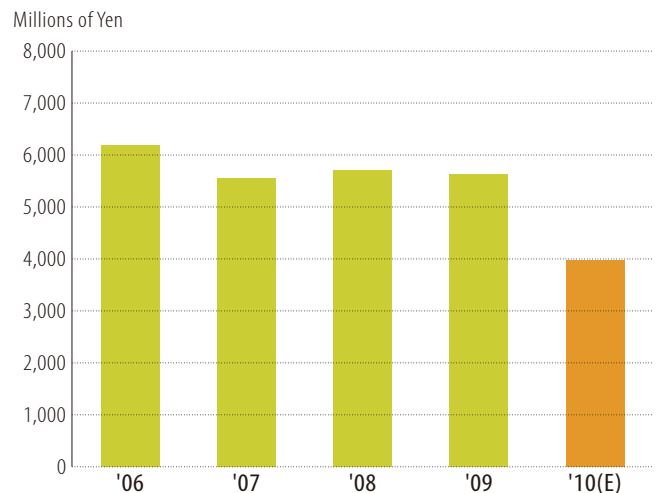
Sonpo 24 will continue to expand premium income by establishing cooperative arrangements with other life insurance companies and insurance agencies, and other channels. In addition, it is working to boost sales over the Internet as one means of drastically revising its business processes to reduce operating expenses. As a result, we forecast that Sonpo 24 will move into the black in fiscal 2010 (ending March 31, 2011).

Sonpo 24's Numerical Targets for Fiscal 2009

■ Net Premiums Written



■ Expenses



6. Evaluating Risk and Ensuring Capital Adequacy

Evaluating retained risk and monitoring sufficiency of the solvency margin is an extremely effective means of maintaining operational soundness for a non-life insurance company.

NIPPONKOA evaluates its retained risk with an integrated risk management model using Dynamic Financial Analysis, a method that simulates various insurance claim and asset management scenarios and varies a number of other parameters to predict possible changes in capital levels.

We define the amount of retained risk as equivalent to the total losses at the 99.5% confidence level, and assess our capital sufficiency using this method. Our analysis of

the solvency margin at the end of March 2009 confirmed that NIPPONKOA has sufficient capital to continue business operations with virtually no disruption, even if a once-in-200-years, worst-case event were to occur during fiscal 2009. As a result, it is our assessment that the Company has adequate capital to cover its retained risk.

To maintain a high degree of flexibility in its capital management policies and strategic investments, NIPPONKOA will continue to work to increase profitability of its business, while at the same time reducing retained risk by trimming its relationship stock holdings and other high-risk assets.

7. Shareholder Returns

This final section presents NIPPONKOA's policy on shareholder returns.

NIPPONKOA strives to provide its shareholders with stable, continuous dividends. In fiscal 2008 improved underwriting profitability enabled us to raise our annual cash dividend by ¥0.5 per share to ¥8.0, with a dividend payout ratio of 60.0%.

In addition to the payment of cash dividends, NIPPONKOA carries out timely share buybacks. In fiscal 2008 we repurchased 10 million shares (repurchase amount of ¥6.7 billion). As of the end of March 2009, a cumulative total of 120 million shares had been repurchased, of which 57 million shares have already been retired.

We will continue to carefully monitor our capital adequacy and analyze our profitability as we work to provide returns to our shareholders through continued, stable dividend payments and timely share buybacks.

■ Shareholder Return Indices (Nonconsolidated Basis)

	FY2005	FY2006	FY2007	FY2008
Dividend per share	¥7.5	¥7.5	¥7.5	¥8.0
Buyback per share	¥11.8	¥8.7	¥48.8	¥8.9
Dividend payout ratio	46.0%	44.8%	73.6%	60.0%
Total payout ratio	118.1%	97.0%	553.3%	126.5%
Dividend on equity	0.8%	0.8%	0.9%	1.4%
Total payout on equity	2.0%	1.7%	8.0%	3.7%

Note: Total payout ratio is the sum of dividend and share buybacks divided by net income.