
Strategies of NIPPONKOA

NIPPONKOA INSURANCE CO., LTD.



**NIPPONKOA
INSURANCE**

June 6, 2001

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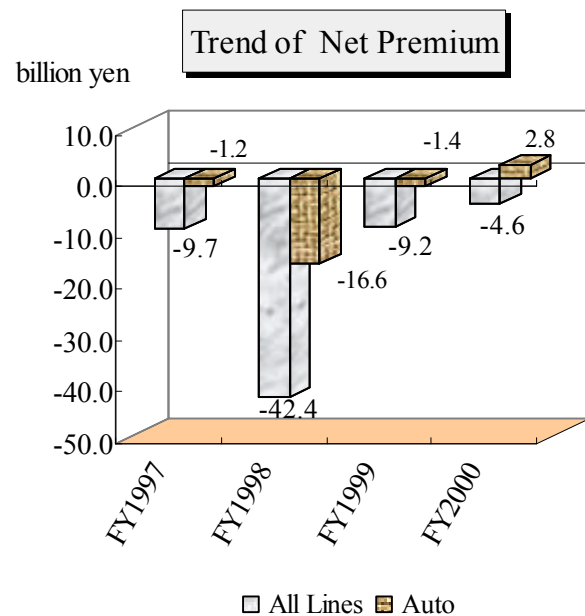
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Part 1. Review of FY2000

- (1) Premium Income
- (2) Loss and Expenses
- (3) Asset Investment and Profit

(1) Premium Income (On the basis of the total of Nippon and Koa)

- Our net premium income in FY2000 decreased by 0.7%, lagging behind some of our competitors. But premium income is in recovery. For instance, we recorded positive growth for automobile insurance.
- The administrative burden of merger preparation also swelled toward the fiscal year end. At present we have come back to normal and are now ready to strengthen sales efforts to recover and go further.



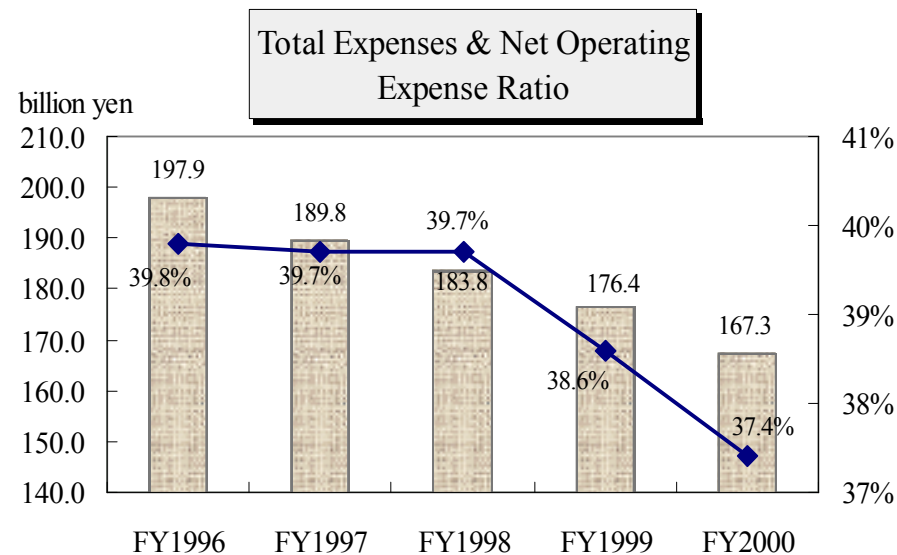
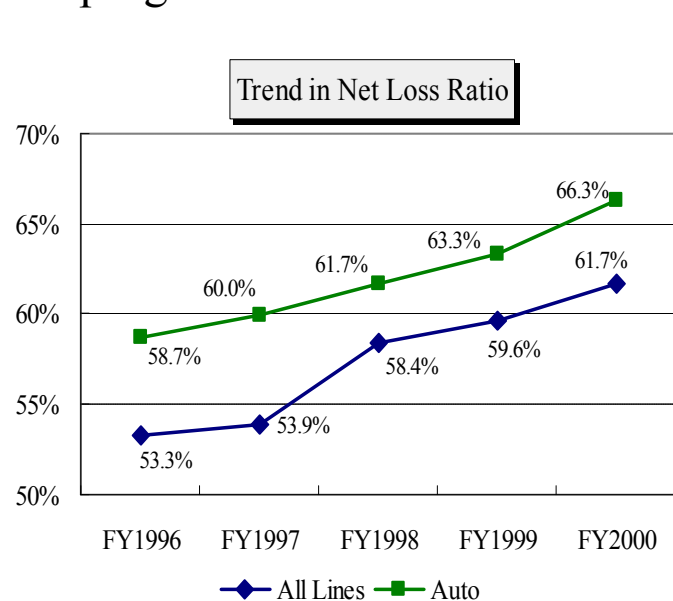
<Direct premium (exc. deposit premium) in FY2000> (billions of yen)

		Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
Increase	All lines	+ 0.1	+ 1.0	0	- 3.9	- 2.7
	Auto	+ 0.6	+ 0.8	+ 1.1	- 1.5	+ 1.1
% increase	All lines	+ 0.1%	+ 0.6%	0.0%	- 2.3%	- 0.4%
	Auto	+ 0.7%	+ 1.0%	+ 1.3%	- 1.8%	+ 0.3%

**Realize large increase
in premium income**

(2) Loss and Expenses (On the basis of the total of Nippon and Koa)

- Loss ratio rose due to natural disasters, increase of car thefts, etc.
- Expenses were reduced as planned. Our efforts to achieve efficiency are making good progress.



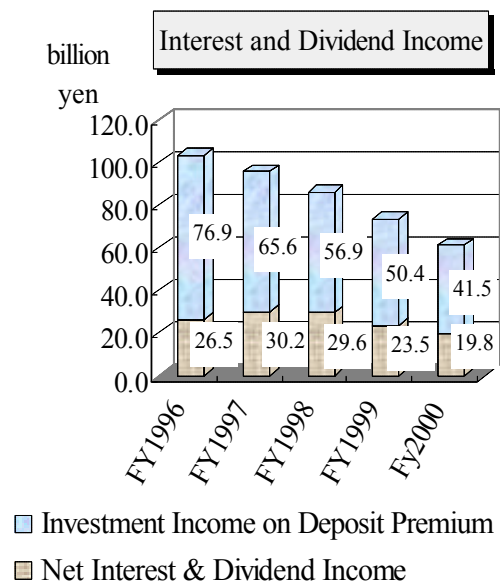
Total Expenses = Loss Adjustment Expense + Operating & Administrative Expenses

Contain loss through improvement of products and premium rates

Accelerate efforts for efficiency, enjoy merger effect at maximum

(3) Asset Investment and Profit (On the basis of the total of Nippon and Koa)

- Interest and dividend income has decreased due to prolonged low interest rate. But decreases in net interest and dividends have been moderate.
- Life insurance operations turned into the black. We are poised for increased profitability.



	FY1999	FY2000
Relationship stocks sold (billion yen)	43.6	45.5

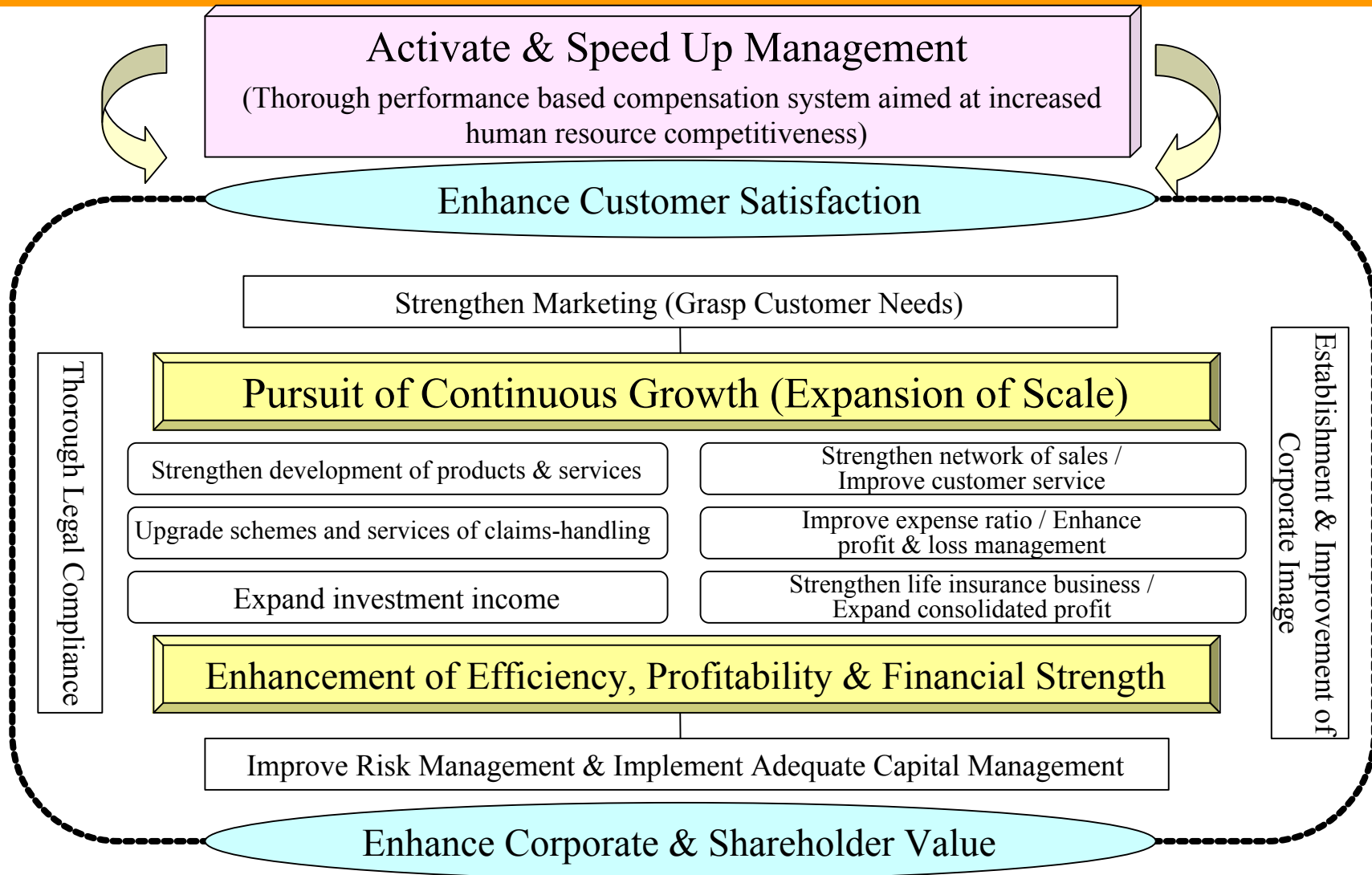
<Trend of Profit>

		billion yen				
		FY1996	FY1997	FY1998	FY1999	FY2000
Non-life	Underwriting Balance	51.2	47.1	13.4	12.4	6.5
	Underwriting Profit	11.9	25.9	25.4	18.6	15.6
	Ordinary Profit	33.8	31.7	38.3	48.0	47.1
	Net Income	11.1	11.9	11.7	12.6	13.5
Life	Ordinary Profit	-0.4	-0.5	-0.5	-0.3	0.7
	Net Income	-0.4	-0.7	-0.9	-0.5	+0.0
Consolidated	Ordinary Profit	33.7	31.4	38.1	48.1	46.3
	Net Income	10.9	11.5	11.2	12.5	13.9

Part 2. Basic Strategy

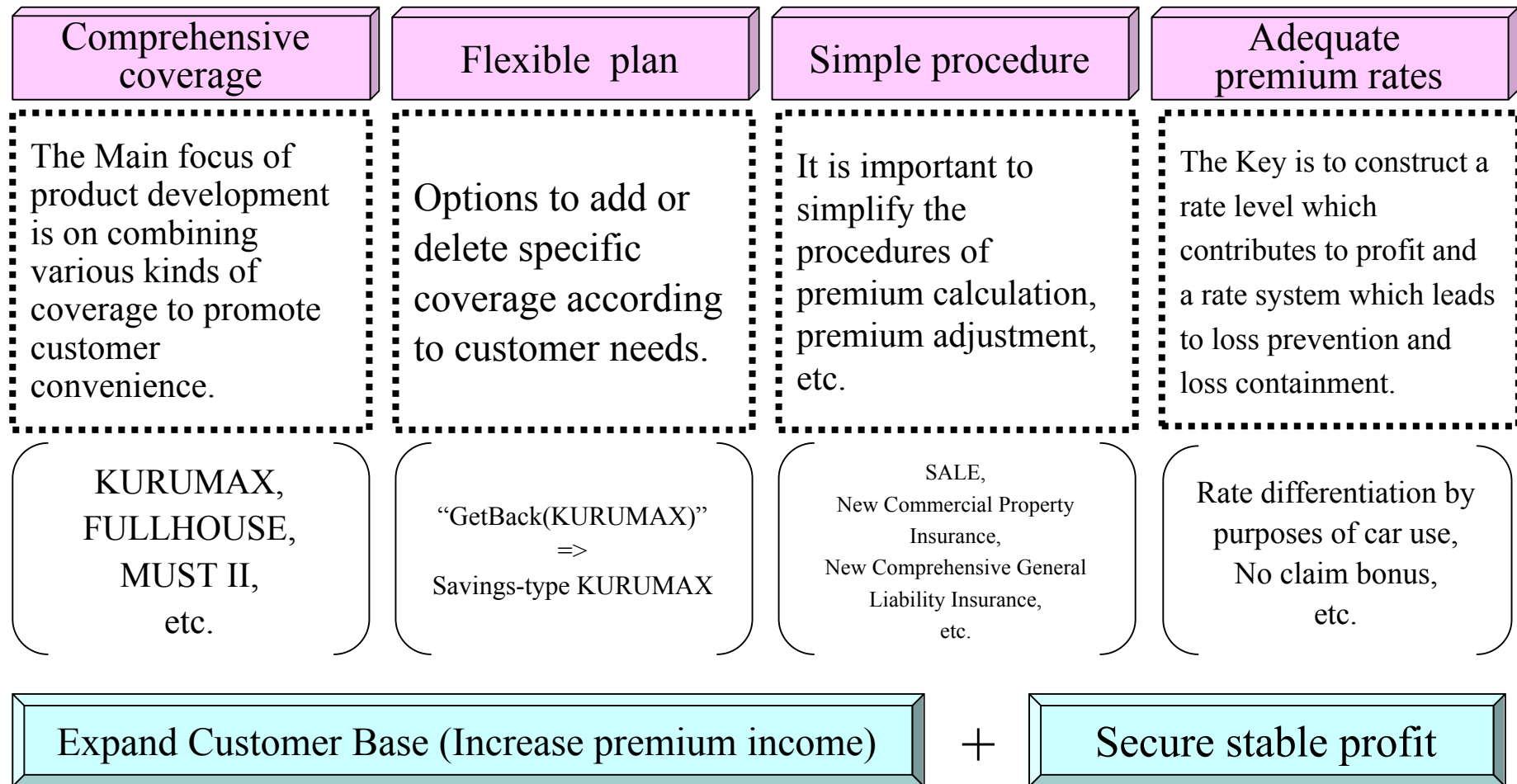
- (1) Outline of Medium-Term Business Plan
- (2) Product Development
- (3) Business Model to Be Chosen by Customers
- (4) Low Cost Operations
- (5) Basic Policy of Asset Investments
- (6) Life Insurance Operations
- (7) Toward Improvement of Capital Efficiency
- (8) Management Targets

(1) Outline of Medium-Term Business Plan

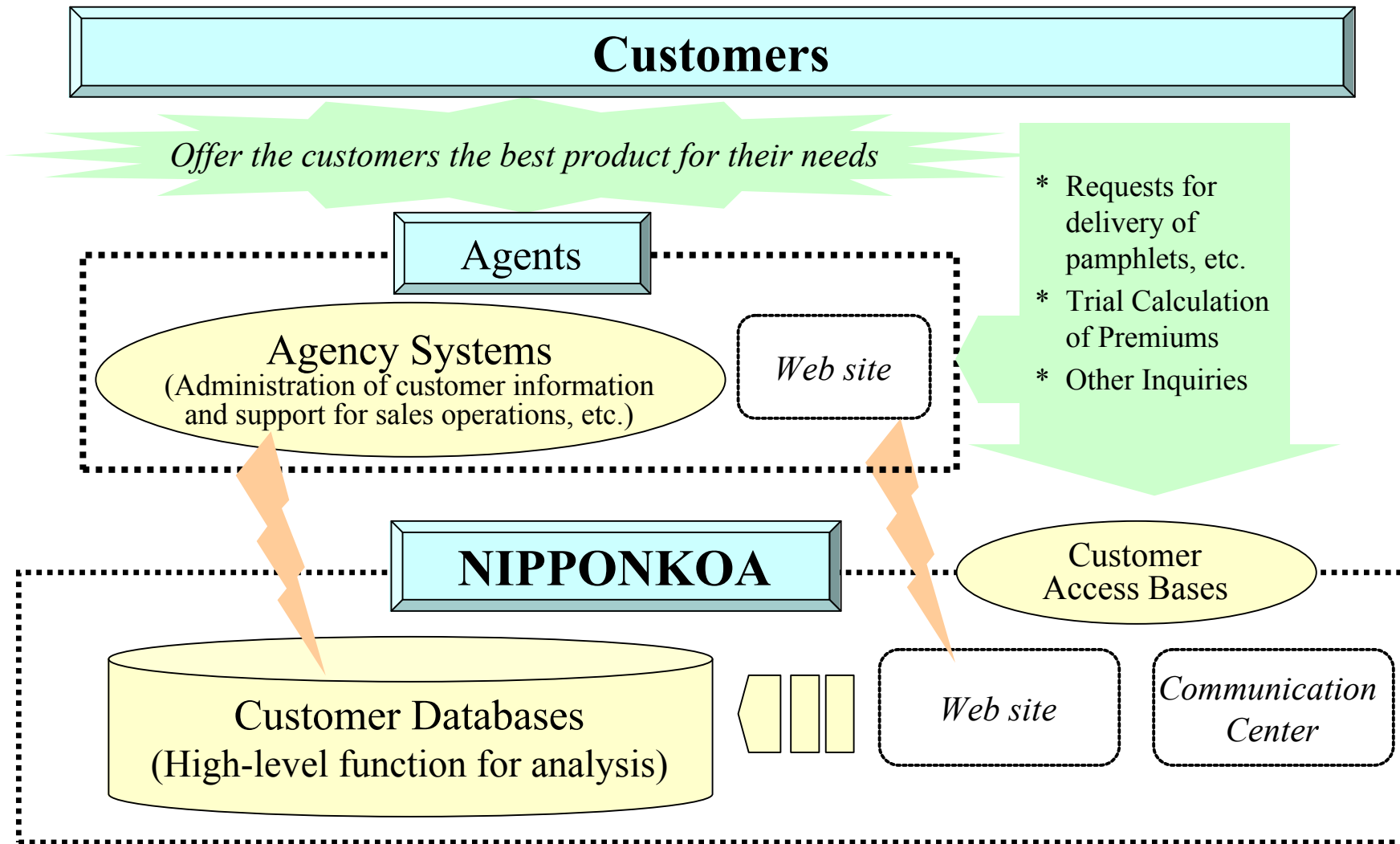


(2) Product Development

Utilize our industry No. 1 product development know-how and state-of-the-art rate adequacy verification system



(3) Business Model to Be Chosen by Customers

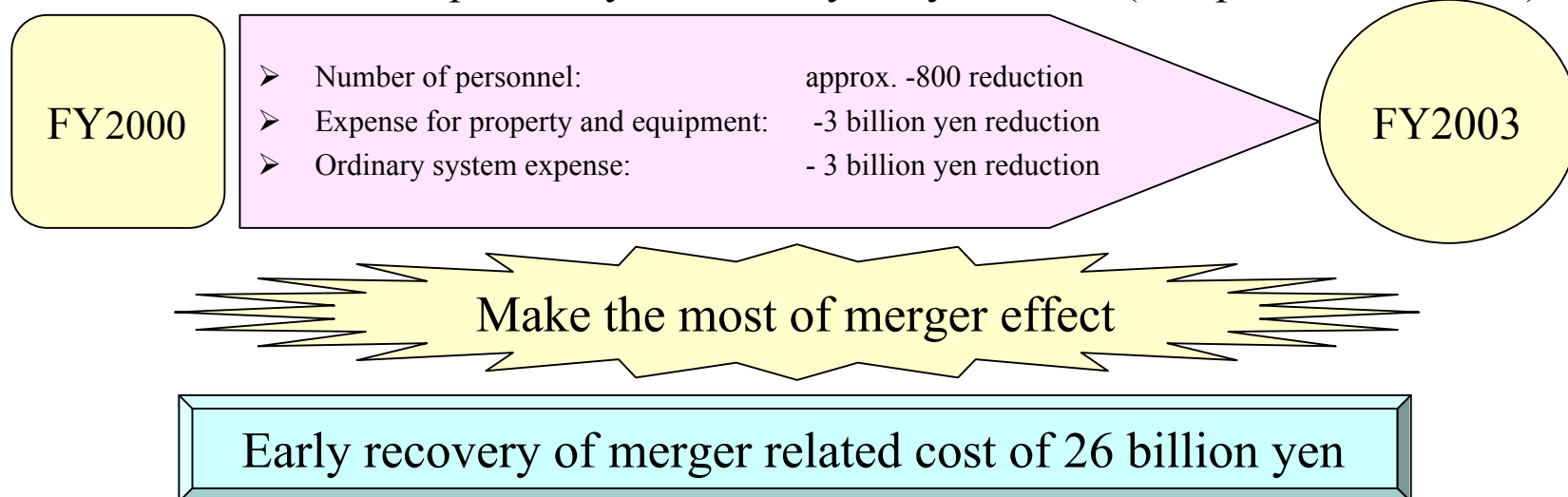


(4) Low Cost Operations

<State of Downsizing>

	As of	As of	As of April 1, 2001	Change from FY1998
	April 1, 1999	April 1, 2000		
Sales Bases	548	522	323	-225
Claims-handling Basis	296	280	204	-92
Number of Employees	9,039	8,514	7,811	-1,228

Reduction of total expenses by 27 billion yen by FY2003 (compared to FY2000)



(5) Basic Policy of Asset Investment

Increase the total return (income and capital) while containing the risk within a defined range



Construct a quality, profitable portfolio according to ALM & risk management principles.

Determine investment policies according to distinct styles of investment

ALM Investment	yen-denominated bonds, loans, short-term financial instruments, etc.	<ul style="list-style-type: none"> ➤ Mainly applicable to Savings Account assets. Secure stable spread through ALM and risk management. (Conditioned to secure expected rate of return for savings policies)
Market Risk Investment	Foreign currency denominated bonds, purely invested stocks, outsourcing, etc.	<ul style="list-style-type: none"> ➤ Mainly applicable to General Account assets. Aim to gain total return (income and capital gain) by undertaking market risks. (Pursue risk adjusted efficiency)
Other	Relationship stocks, etc.	<ul style="list-style-type: none"> ➤ Aim to reduce these investments, considering investment efficiency

(6) Life Insurance Operations

NIPPONKOA Life Insurance Company

Position of life insurance operations = Core business besides non-life

Expand amount of business in force



Improve group profitability

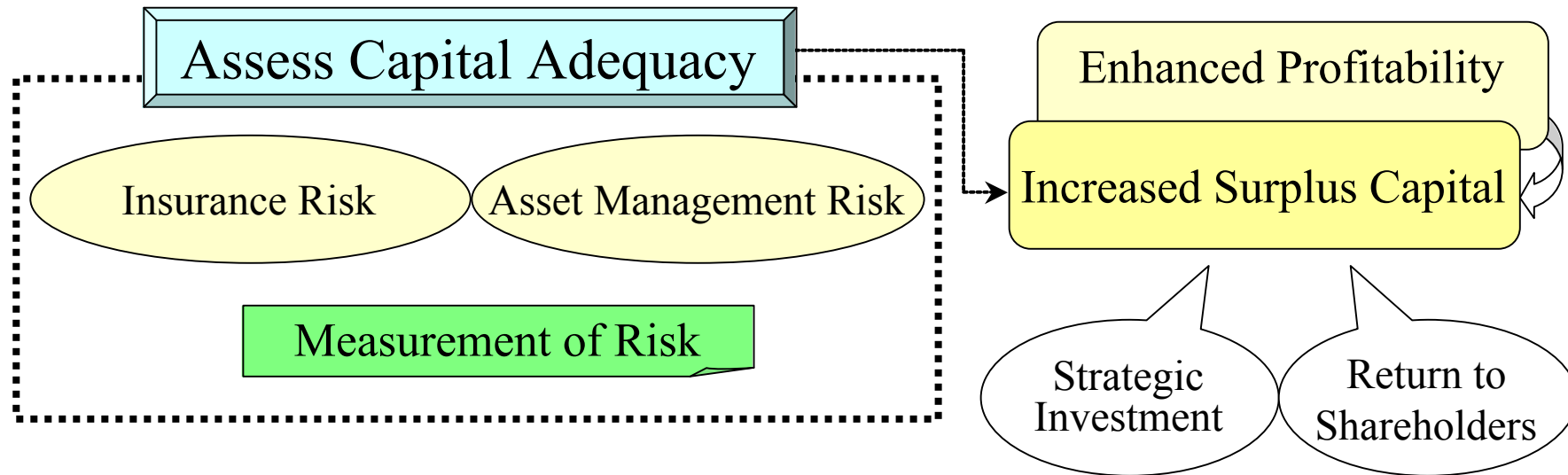
- Acceleration of cross-selling of life and non-life insurance, utilizing the existing agency network.
- Offering of products suited to customers' life-cycle and needs, based on a consultation process, where we put ourselves in the position of customers.

Main product = Focus on death benefit
(Decreasing Term, Income Guarantee, etc.)

Third sector products
(medical, cancer insurance)

Various plans for corporate
customers

(7) Toward Improvement of Capital Efficiency



- Establish schemes for measuring integrated risk (insurance risk & asset management risk) and strictly assess capital adequacy.
- Increase shareholder value by making the most of the surplus capital obtained from enhanced profitability.

(8) Management Targets

Expand market share. (Achieve 11% share in FY2003.)

Keep loss ratio always below the industry average.

Reduce expense ratio to 32 % level in FY2003.

Reduce low yield assets by 20% by FY2003. (Compared with FY1998 Book Value)

Improve capital efficiency: (Aim at global standard, ROE 10% in the long term)

Expand amount of business in force of individual life policies to 3 trillion yen in FY2003

Part 3. Specific Strategies

- (1) New Automobile Policy “KURUMAX”
- (2) Sales via Internet: Utilization of @Agents
- (3) Virtual Counter
- (4) Expansion & Reinforcement of Sales Network and
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- (5) Commencement of Over-the-counter Insurance Sales
by Banks

(1) New Automobile Policy “KURUMAX”

New Automobile Policy “KURUMAX” to be launched in July

Comprehensive coverage

- Basic coverage includes various original compensations in addition to personal injury cover.
- Plus, comprehensive line-up of riders

Reasonable premiums

- New risk differentiation (purpose of car use, color of license (i.e. accident history), annual mileage *1)
- Car theft protection discount *2

Full service

- The industry’s top level services

*1 First among major domestic competitors

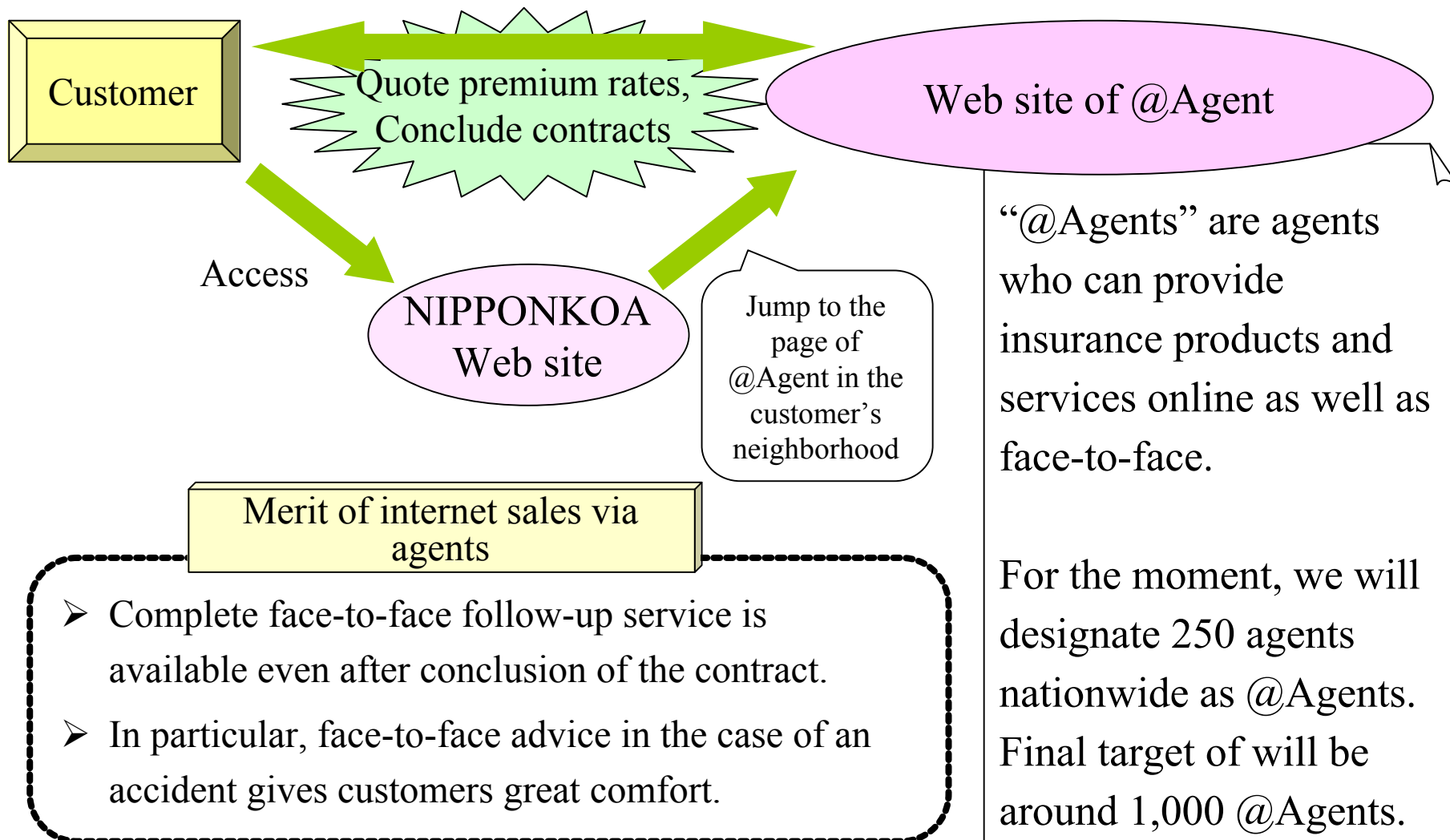
*2 First in the industry. Introduced to promote use of car theft protection.

Acquire new policyholders, and also actively approach all existing policyholders

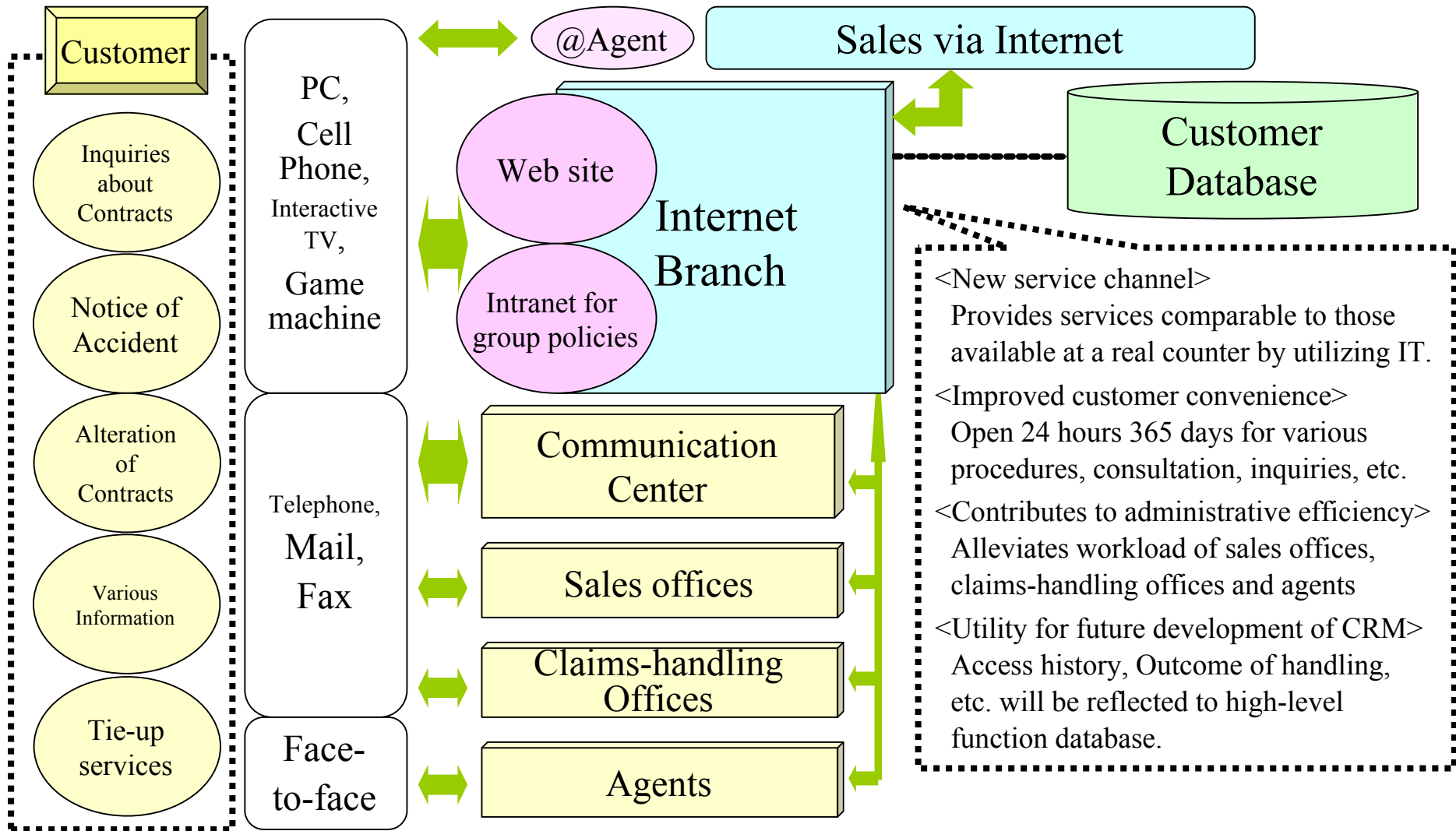
Expand customer base

Promote addition of personal injury cover to existing policies

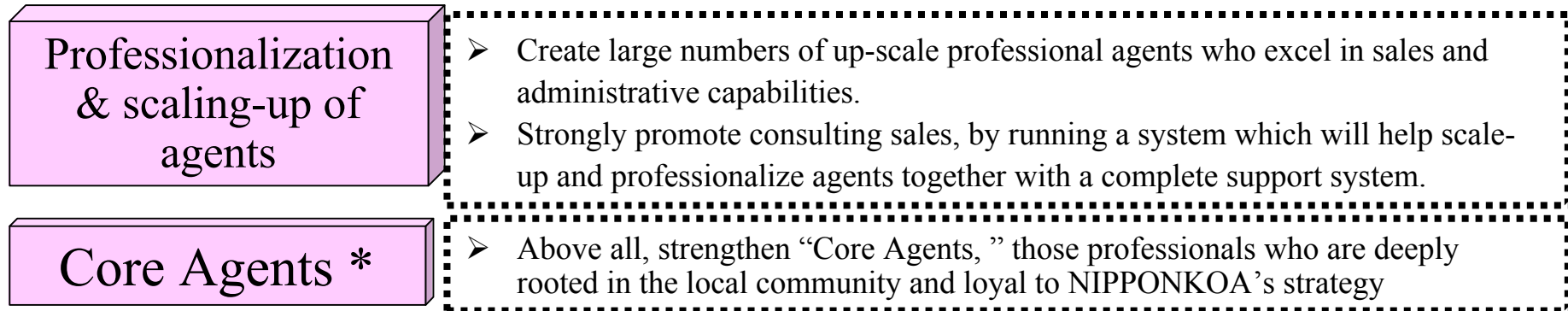
(2) Sales via Internet: Utilization of @Agents



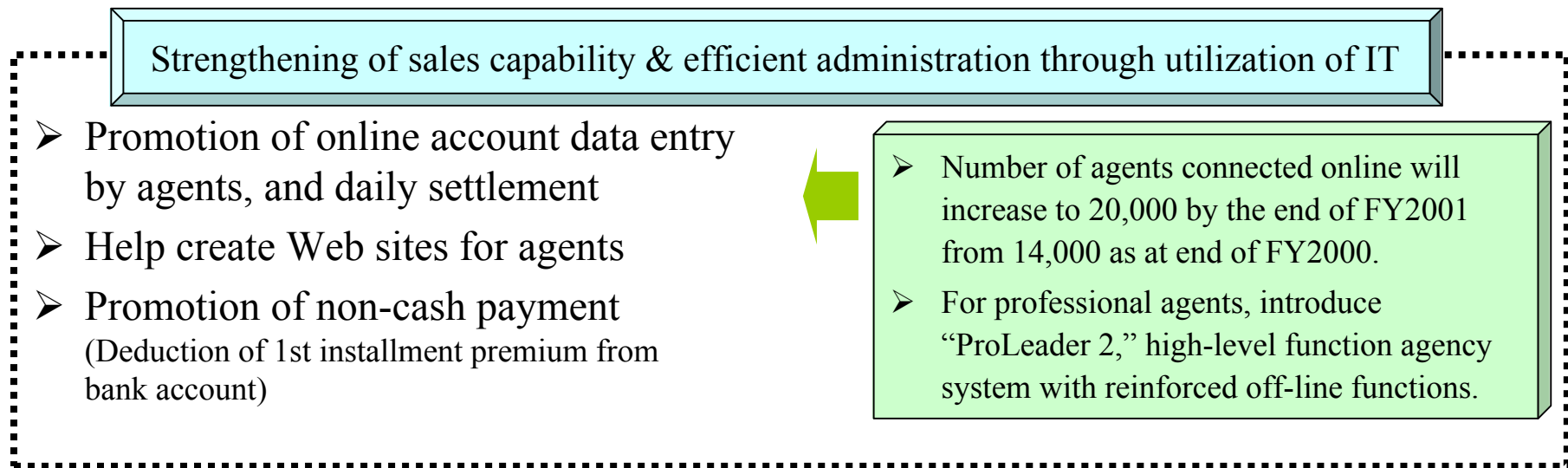
(3) Virtual Counter



(4) Expansion & Reinforcement of Sales Network and Enhancement of Operational Efficiency



*Core Agents: Those agents whose premium income and administrative capabilities are above a defined level. (At present 3,400 agents)



(5) Commencement of Over-the-Counter Insurance Sales by Banks

Agent Qualification

- 250,000 bank employees obtained non-life insurance agent qualification. (Total of city banks, regional banks and second regional banks.)
- 21% of them, and in particular, as many as 30% of the qualified employees of regional banks obtained their qualification through NIPPONKOA. (Market share in qualified bank employees leads to future market share in premium income.)

* NIPPONKOA became the leading insurer of 2 city or trust banks, 14 regional banks, etc.

Products to be chosen by banks

- Competition among products to be chosen by banks still continues.
- Our original product “Full House financial institution group policy” has received favorable acceptance. 16 city or regional banks adopted this product solely or as a main product to be sold over-the-counter.

System to be adopted by banks

- Our high-level function agency system “ProLeader 2” was adopted by major banks.
- This system enables online account data entry by agents, daily settlement, matching with customer data of financial institutions, etc., based on full consideration of administrative efficiency and cost reduction.

Through over-the-counter sales by banks, we can reach the banks’ customers more directly than before:
Impact on premium income will be a 2 to 3 billion yen increase

Sales of long-term fire policy (collateral of housing loan) by our branches which handle major regional banks recorded a 77% increase in this April compared with the previous year.

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