

New Mid-term Management Plan (FY2016 to FY2020)

May 26, 2016

Sompo Japan Nipponkoa Holdings, Inc.



New Brand

Strengthen SOMPO brand focused on security, health, and wellbeing
by fostering a unified brand image on a global basis.

New
Company
Name



SOMPO Holdings, Inc.

(Current company name: Sompo Japan Nipponkoa Holdings, Inc.)

- * We plan to change company name on October 1, 2016.
- * Prefix names of some group companies with SOMPO

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3-2. Business strategies for each business segment

3-3. ERM, capital policy & asset management

Results of Previous Mid-term Management Plan

- ◆ Adjusted consolidated profit doubled, and adjusted consolidated ROE amounted to 7.8%. Both achieved numerical management targets.
- ◆ Profitability of domestic P&C insurance business drastically improved, and growth fields such as overseas insurance business steadily expanded.

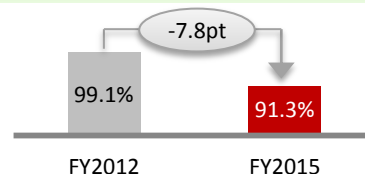
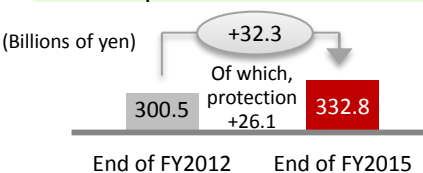
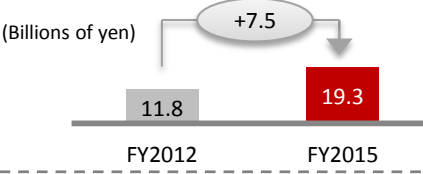
Results of major indicators

		Initial plan (Announced in Nov. 2012)	Results (FY2015)	Changes from FY2012 results
Adjusted consolidated profit		¥180 to 210 billion	¥215.5 billion	+¥103.9 billion
Adjusted consolidated ROE		Over 7%	7.8%	+2.4pt
Domestic P&C	Adjusted profit	¥70 to 80 billion	¥110.8 billion	+¥119.7 billion
Domestic life	Growth in adjusted EV	¥100 to 110 billion	¥83.4 billion	-¥24.4 billion * Mainly due to lowering interest rate
Overseas insurance	Net income	¥14 to 20 billion	¥19.3 billion	+¥7.5 billion
Financial & other services	Net income	¥2 to 3 billion	¥1.8 billion	+¥1.1 billion

* Definitions of adjusted consolidated profit and adjusted consolidated ROE are based on previous standards (see page 46).

Key Points for Each Business

◆ Every business has accomplished their assigned management priorities.

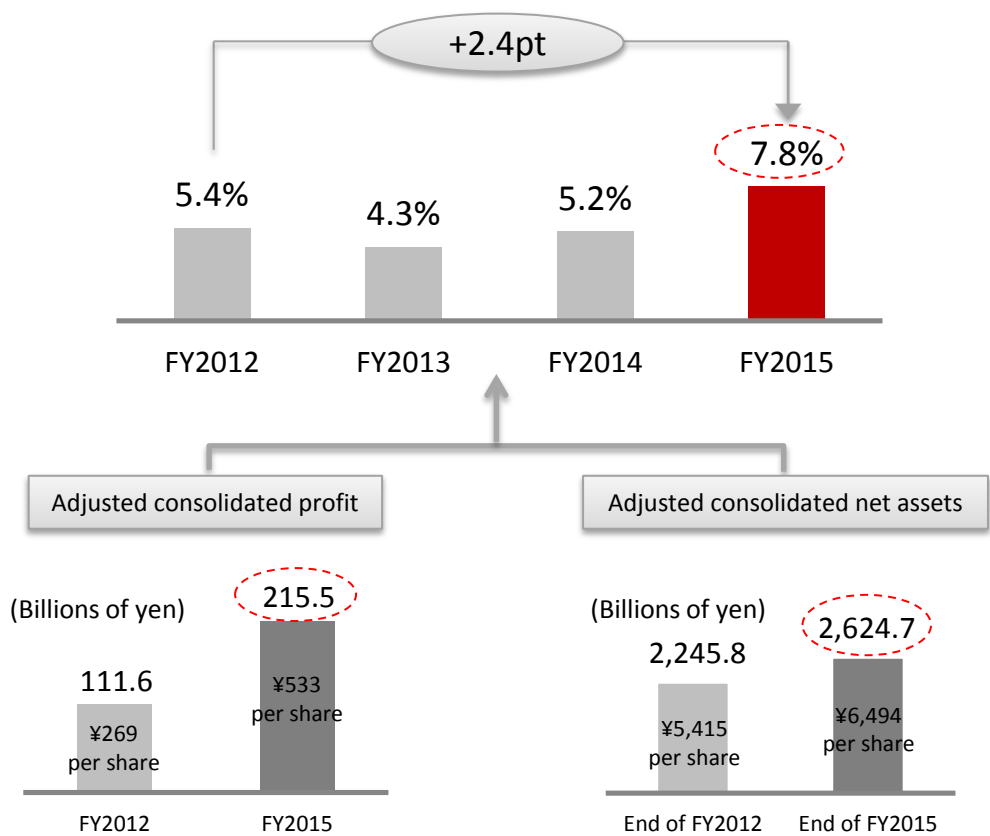
	Missions in the initial plan	Results (FY2015)	Key points
Domestic P&C insurance	<p>Efficiency & Profitability</p> <ul style="list-style-type: none"> - Improve profitability of automobile insurance. - Realize merger synergies early. 	<p>Improvement of adjusted combined ratio*</p>  <p>99.1% (FY2012) → 91.3% (FY2015) (-7.8pt)</p>	<ul style="list-style-type: none"> • Improved profitability of automobile insurance by appropriate revisions of product and premium rate. • Reduced costs through the merger. (Cost reduction of about ¥50 billion compared with FY2011)
Domestic life insurance	<p>Growth & Enhancement of corporate value</p> <ul style="list-style-type: none"> - Increase weight of protection-type products. - Utilize P&C sales channel 	<p>Expansion of annualized premium in force</p>  <p>300.5 (End of FY2012) → 332.8 (End of FY2015) (+32.3) Of which, protection +26.1</p>	<ul style="list-style-type: none"> • Accelerated growth by new medical insurance products. • Achieved steady sales in P&C channel, grew in life professionals and financial institutions, and started online sales.
Overseas insurance	<p>Earnings growth by M&A, etc.</p> <ul style="list-style-type: none"> - Clarify target areas, etc. and increase profit by selective investments. 	<p>Steady growth in net income</p>  <p>11.8 (FY2012) → 19.3 (FY2015) (+7.5)</p>	<ul style="list-style-type: none"> • Succeeded in M&A, and drastically gain PMI experience. • Realized organic growth mainly in Brazil, Turkey, and Malaysia.
Financial & other services	<p>Active development of products and services</p>	<div style="display: flex; justify-content: space-around;"> <div style="border: 1px dashed gray; padding: 5px; text-align: center;"> <p>Nursing care</p> <p>Robust business base</p> <p>{ No. 2 in sales }</p> </div> <div style="border: 1px dashed gray; padding: 5px; text-align: center;"> <p>Home remodeling</p> <p>High quality service</p> <p>{ High repeat rate }</p> </div> <div style="border: 1px dashed gray; padding: 5px; text-align: center;"> <p>Assistance, etc.</p> <p>Additional value</p> <p>{ Develop road assistance option, etc. }</p> </div> </div>	<ul style="list-style-type: none"> • Acquired business base in nursing care business. • Entered into businesses that have high affinity with insurance business.

* Adjusted combined ratio: exclude one-time merger costs, assume ¥38 billion of impact of natural disasters in every year, and exclude CALI.

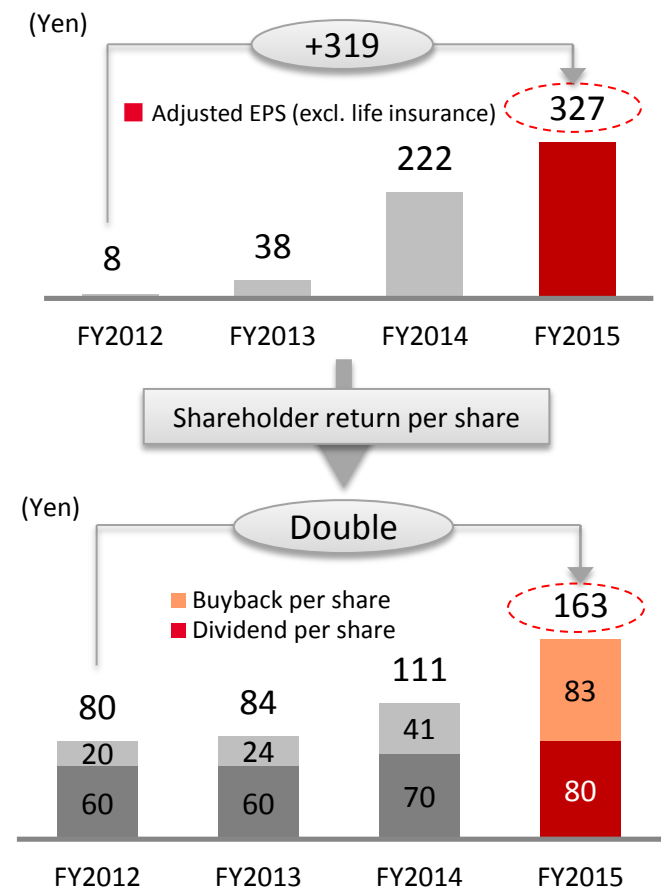
ROE and Shareholder Return

- ◆ Adjusted consolidated ROE steadily improved as adjusted consolidated profit expanded.
- ◆ Shareholder return per share expanded in accordance with increase in adjusted EPS.

Adjusted consolidated ROE



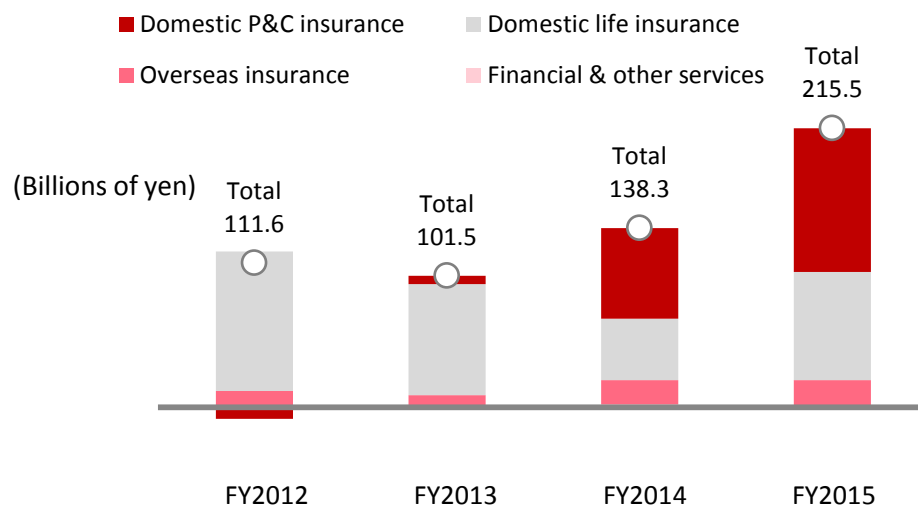
Adjusted EPS and shareholder return per share



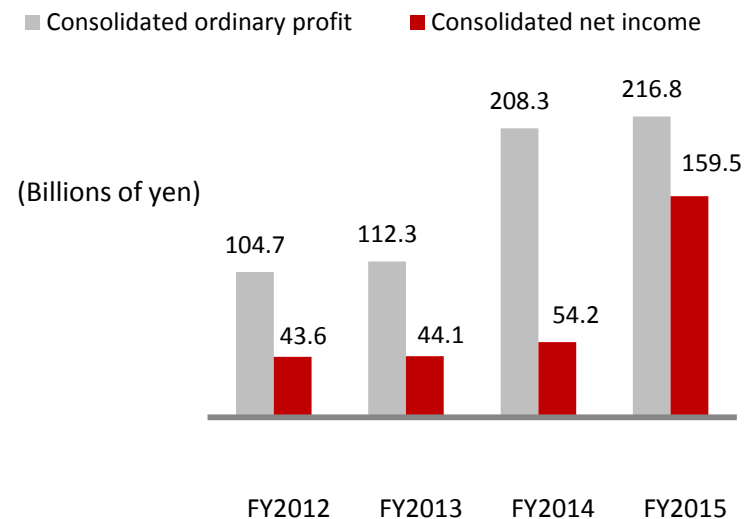
* Definitions of adjusted consolidated ROE, adjusted consolidated profit, and adjusted consolidated net assets are based on previous standards (see page 46).

(Reference) Progress of Profit and ROE

Adjusted consolidated profit and adjusted consolidated ROE



(Reference) J-GAAP performance



	FY2012	FY2013	FY2014	FY2015
Consolidated ordinary profit	104.7	112.3	208.3	216.8
Consolidated net income	43.6	44.1	54.2	159.5
(Reference) ROE (J-GAAP)	3.8%	3.3%	3.4%	9.2%

	FY2012	FY2013	FY2014	FY2015
Domestic P&C insurance	-8.9	6.5	69.9	110.8
Domestic life insurance	107.8	85.7	47.4	83.4
Overseas insurance	11.8	7.8	18.6	19.3
Financial & other services	0.7	1.5	2.3	1.8
Total (adjusted consolidated profit)	111.6	101.5	138.3	215.5
Adjusted consolidated ROE	5.4%	4.3%	5.2%	7.8%

* Special factors, such as extraordinary losses related to the merger and impact of corporate income tax reduction, are excluded to calculate adjusted profit. The amounts after tax are ¥17.6 billion in FY2012, ¥26.7 billion in FY2013, ¥80.0 billion in FY2014, and ¥12.3 billion in FY2015.

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3-1. Key points of new mid-term management plan

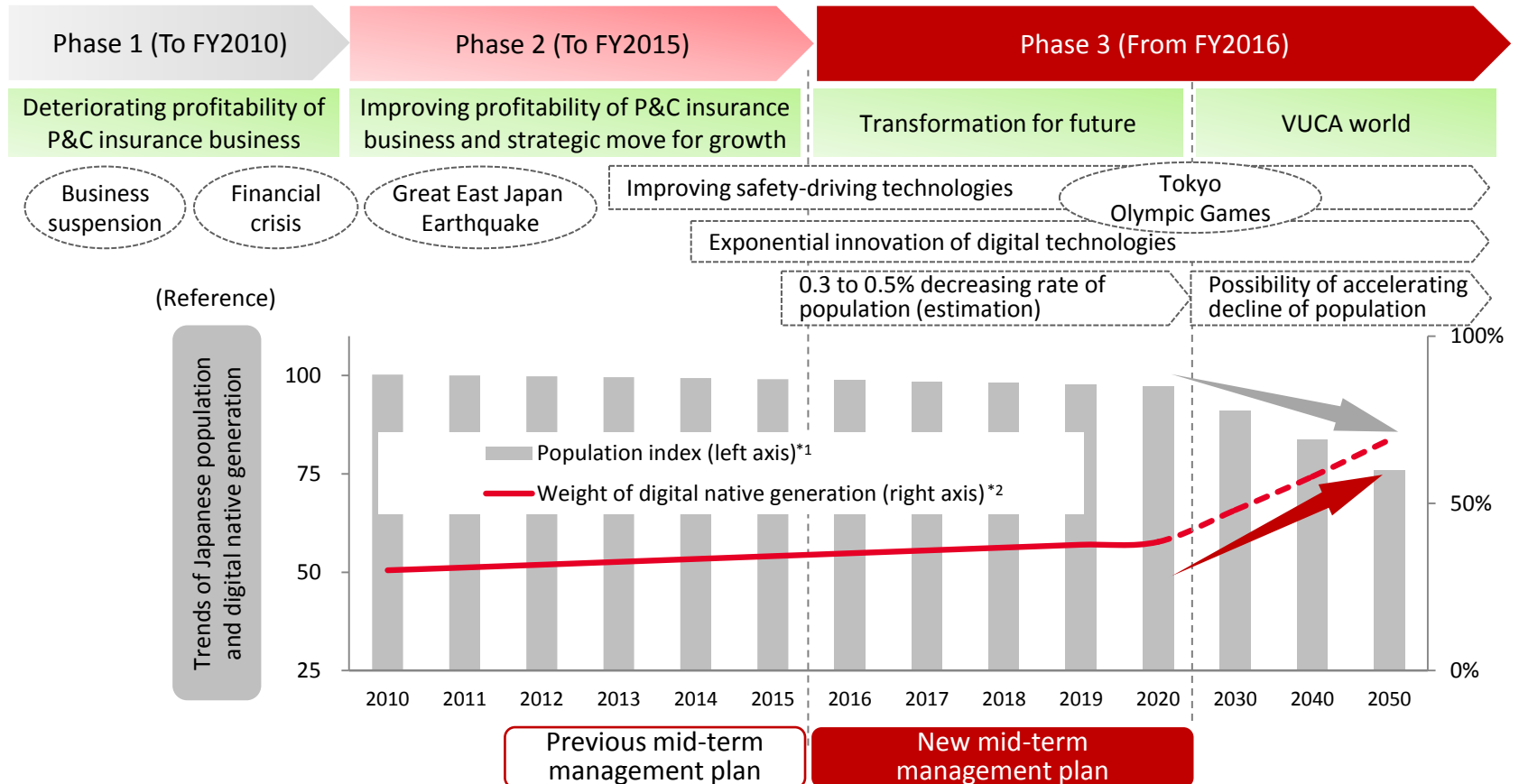
3-2. Business strategies for each business segment

3-3. ERM, capital policy & asset management

External Environment

- ◆ We improved profitability of P&C insurance business, and assume that the impact of decreasing population in Japan is limited during new mid-term management plan.
- ◆ We need to transform ourselves, anticipating times of great uncertainty (VUCA world*).

*VUCA stands for Volatility, Uncertainty, Complexity, and Ambiguity. (It is often cited by business leaders at international conferences, etc.)



*1 Indexed with the FY2010 population set to 100 (source: National Institute of Population and Social Security Research)

*2 Sum of generation Y born from 1980 to 1994, and generation Z born from 1995.

Innovation of Digital Technologies

◆ Exponential innovation of digital technologies is game-changing opportunity.

Example of innovation of digital technologies in the past



HDD

In the past 30 years, capacity became 4,000 times larger while price come down to one-millionth.

1980 1GB = about ¥40 billion (0.4 billion US\$)



2013 4TB = about ¥40 thousand (400 US\$)

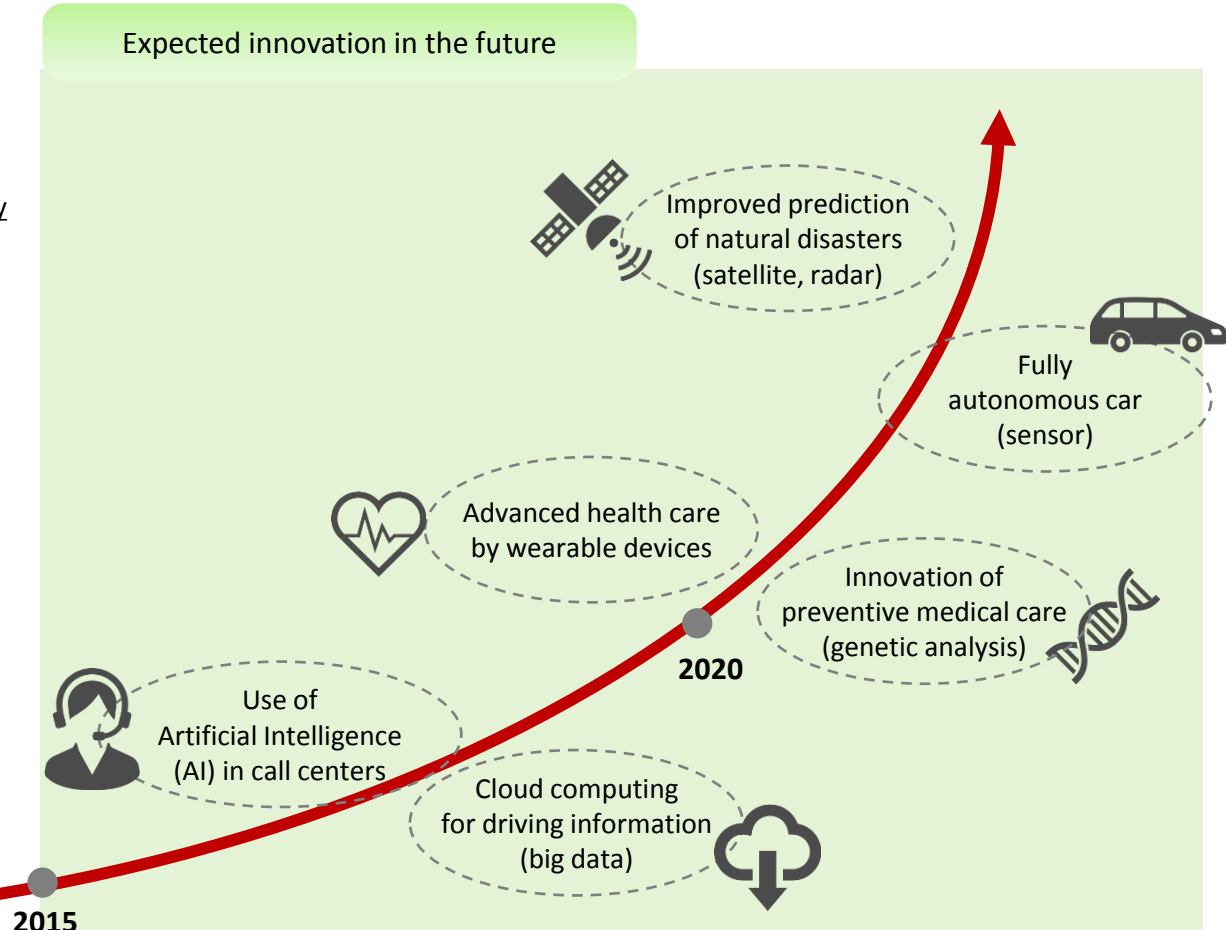


Mobile communication speed

Time needed to send a photo (2 megabyte) reduced from 40 seconds to 0.05 seconds.

About 380 Kbps (2001) **850 times** → About 330 Mbps (2015)

Innovation in digital technologies



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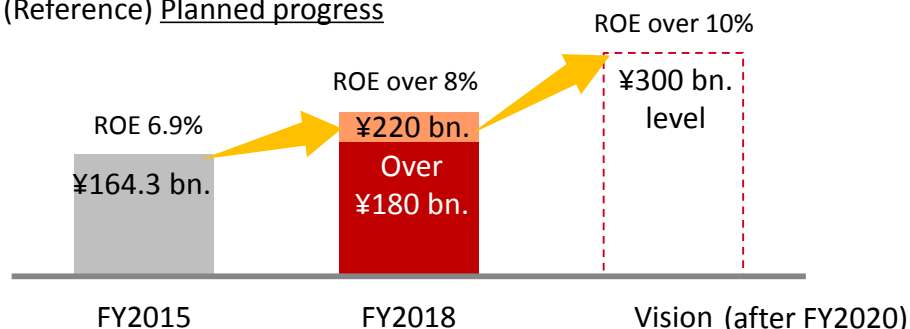
Key Points of New Mid-term Management Plan

- ◆ In the plan, we embody our management philosophy to provide the highest quality services that contribute to our customers' security, health, and wellbeing.
- ◆ We establish the new plan period for 5 years to FY2020, and aim to increase earnings and improve ROE further.

Targets of new mid-term management plan

	Targets in FY2018	Our vision (after FY2020)*2
Adjusted consolidated profit*1	¥180 to 220 billion	Global top 10 level (¥300 billion level)
Adjusted consolidated ROE*1	Over 8%	Over 10%
Shareholder return	Enhance shareholder return in accordance with growth in adjusted consolidated profit and EPS.	

(Reference) Planned progress



*1 See page 46 for definitions of adjusted consolidated profit and adjusted consolidated ROE in new mid-term management plan. (Mainly changed definition of indicators for domestic life insurance business.)

Targets in FY2018 are calculated assuming that consumption tax rate is raised from 8% to 10% in April 2017.

*2 We will set targets in FY2020 by FY2018 based on our vision, etc.

Sustainable Growth of Corporate Value

◆ Embody management philosophy, and realize sustainable growth of corporate value over mid-term.

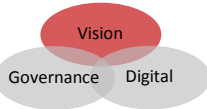
Differentiating factors in new mid-term management plan

Clear vision

Robust and agile governance system

Digital strategy (taking advantage of ICT)

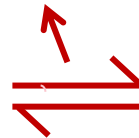
Vision



Realize growth of corporate value over medium term by embodying management philosophy.

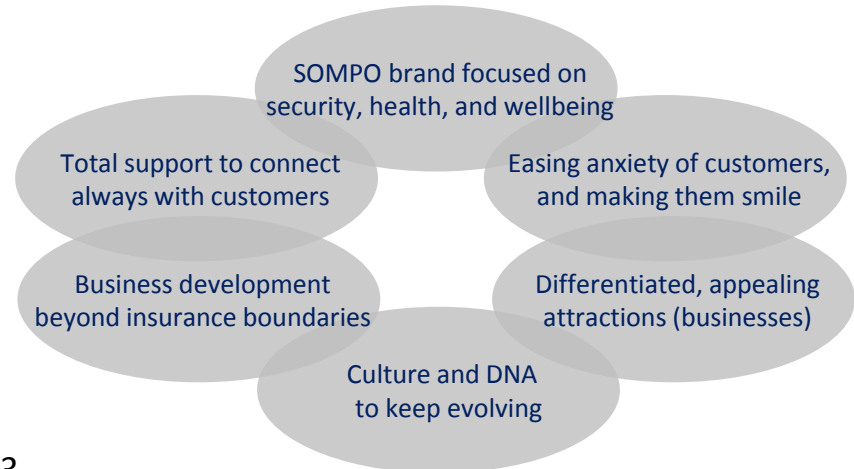
Group management philosophy

We will at all times carefully consider the interests of our customers when making decisions that shape our business. We will strive to contribute to the security, health, and wellbeing of our customers and society as a whole by providing insurance and related services of the highest quality possible.



Theme park for security, health, and wellbeing

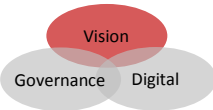
Based on the theme of security, health, and wellbeing, we support our customers' happy life by running business beyond the boundaries of insurance, utilizing digital technologies and providing the highest quality services, being always close to them.



Domestic P&C	Domestic life	Nursing care & healthcare, etc.	Overseas
ERM, capital policy & asset management			

Road Map for New Mid-term Management Plan

- ◆ Achieve steady organic growth based on robust group governance system, and realize global top 10 level earnings size and capital efficiency by steadily capturing new growth opportunities.
- ◆ Establish global SOMPO brand focused on security, health, and wellbeing by changing company name of the holding company and group (planned in October 2016).



Substance of business strategies

Establish fundamental for growth

- Improved profitability of domestic P&C
- Steadily grew domestic life
- Grew by overseas M&A and gained experience of PMI
- Acquired business base for nursing care business



Previous mid-term management plan

New mid-term management plan

SOMPO Holdings Group

Theme park for security, health, and wellbeing

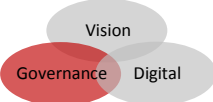
Total support beyond the boundaries of insurance business
Resilience to environmental changes (global business scale with strong presence)



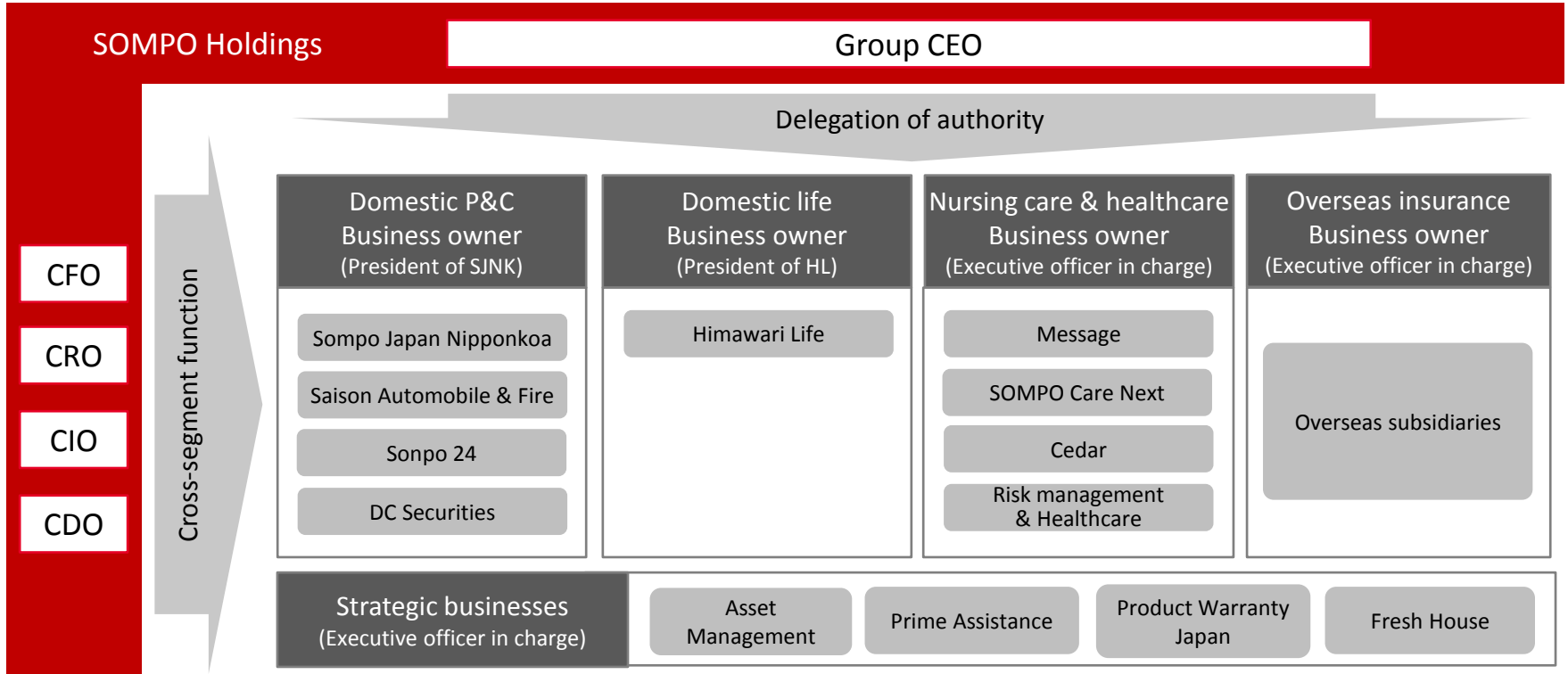
Domestic P&C	Domestic life	Nursing care & healthcare, etc.	Overseas
ERM, capital policy & asset management			

Group Governance

- ◆ Speed up management further by delegating authority to the utmost.
- ◆ Establish robust and agile management system, and maximize possibility to achieve the management plan in the changing environment.



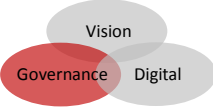
Introduction of business owner system



Domestic P&C	Domestic life	Nursing care & healthcare, etc.	Overseas
ERM, capital policy & asset management			

(Reference) Our Group Governance Model

- ◆ Seek to adopt a hybrid governance model that combines the advantages of having an institutional design of company with committees with our existing structure of company with auditors.
- ◆ Proactively appoint outside directors and outside Audit & Supervisory Board members, and build a system that optimizes the functions of the Board of Directors and the Audit & Supervisory Board.



Key points for our initiatives

(Reference) Major prerequisites

	company with auditors	company with committees
Board of Directors	2 or more outside directors are recommended.	2 or more outside directors are required.
	-	Nominating and compensation committee are required.
	Basically decision are made by the Board of Directors.	Authority is drastically delegated to executive officers.
Audit & Supervisory Board	At least 1 full-time auditors are required.	Members of the Audit Committee are not need to be full-time.
	Auditors are NOT members of the Board of Directors.	Members of the Audit Committee are member of the Board of Directors.
	Scope of audit covers legality only.	Scope of audit covers legality and validity.

Our initiatives *as of May 2016

4 out of 12 directors are outside directors.

Voluntarily established the Nomination and Compensation Committee chaired by an outside director. (4 out of 6 members are outside directors)

Drastically delegate authority to executions. (Ensure speedy management decisions.)

2 out of 5 auditors are full-time, and 3 auditors are outside auditors.

Auditors provide supervision and checks and balances from a position independent of management.

Auditors participate in various internal committees, and get involved in decisions on the validity of business execution.

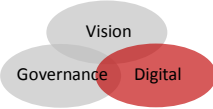
System to support outside directors

- **Diversity of outside directors**
Assign people from different nationality, gender, and background.
- **Sending materials in advance and conducting preliminary briefing sessions to facilitate Board of Directors operations**
Promote constructive and effective deliberations by convening preliminary briefing sessions for outside directors.
- **Meetings between outside directors and Group CEO**
Convene meetings enabling open exchange of opinions between outside directors, and with the chief executive.
- **Support for auditors' auditing**
Establish an office for staffs of Audit & Supervisory Board to enhance the effectiveness of auditors' auditing.

Domestic P&C	Domestic life	Nursing care & healthcare, etc.	Overseas
ERM, capital policy & asset management			

Digital Strategy

- ◆ Apply digital technologies to each business as a smart provider while grasping technological innovations immediately and in detail.
- ◆ Already established solid platform by inviting leading figures in the industry to contribute.



Organizational structure and what to be achieved

CDO (Chief Digital Officer)

Invited Mr. Koichi Narasaki who has well-experienced in Silicon Valley.

Senior advisers

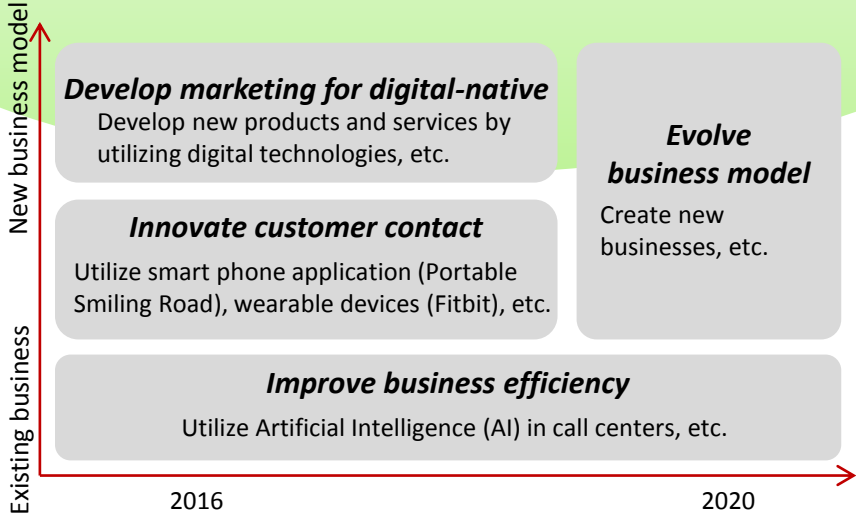
Assigned Mr. Thomas H. Davenport who is a global authority on big data.

Collaboration

SOMPO Digital Lab Silicon Valley



Digital strategy planning department (Tokyo)

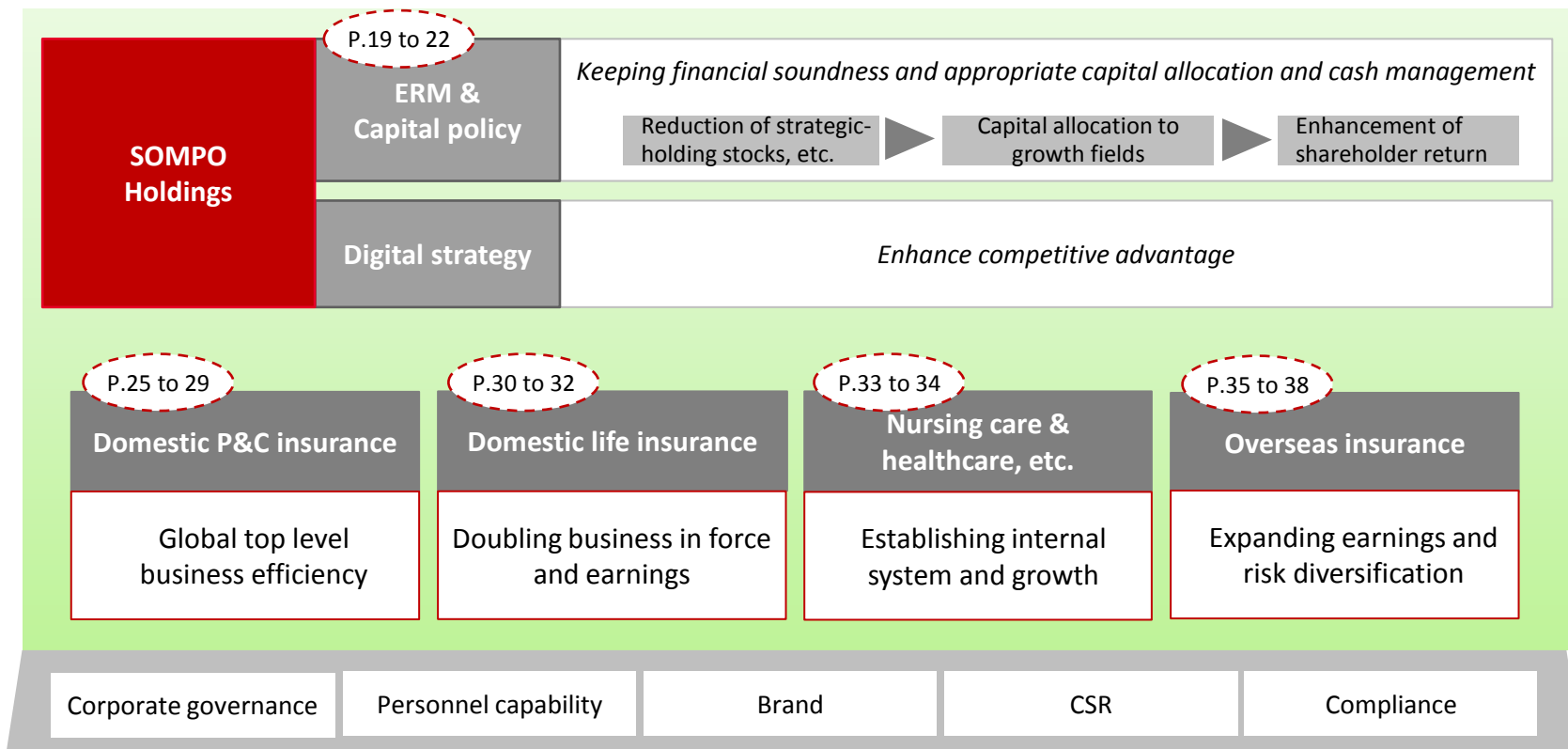


Domestic P&C	Domestic life	Nursing care & healthcare, etc.	Overseas
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Key Points of Business Strategies

- ◆ Maximize performance by optimizing capital allocation and combining digital strategy of the holding company.

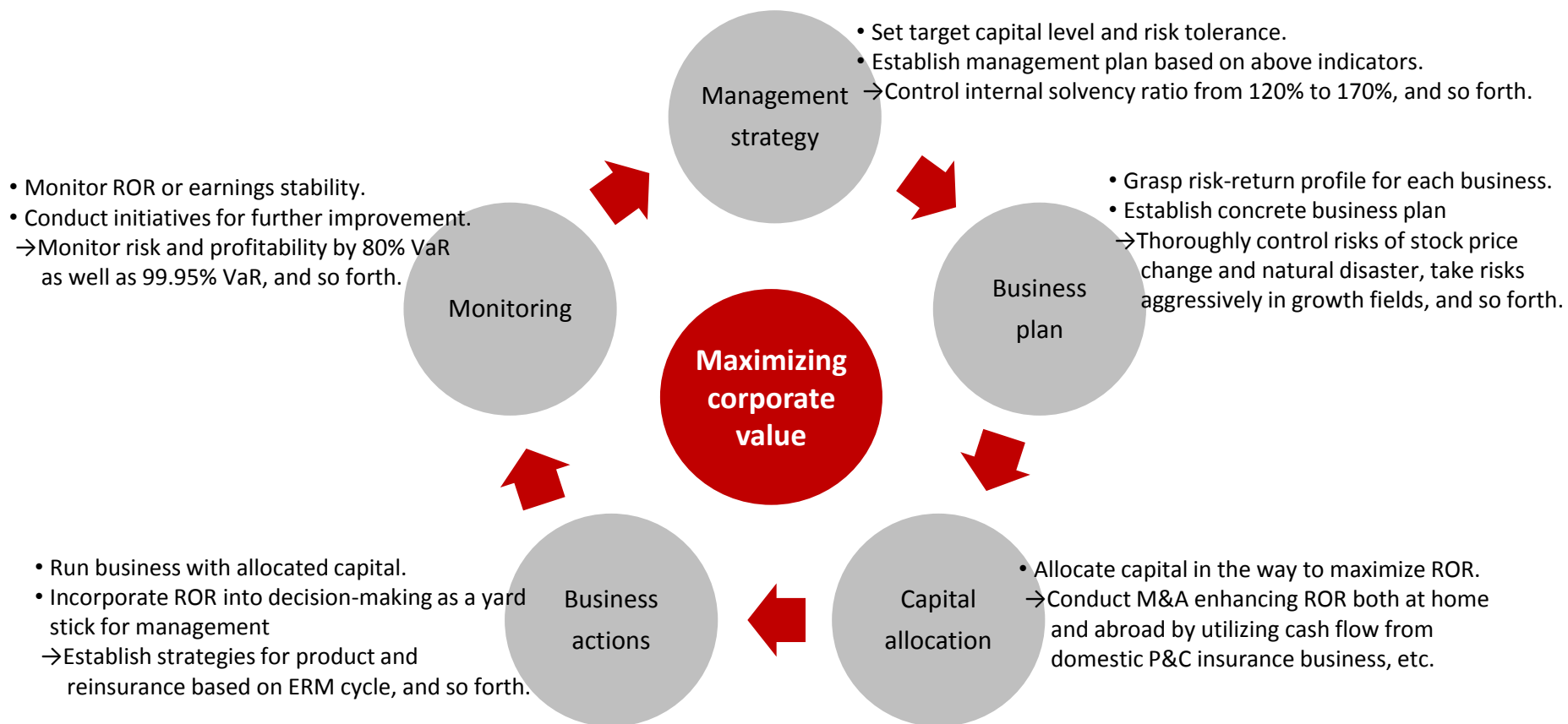
Overhead view of group business strategies



ERM (Strategic Risk Management)

◆ Maximize corporate value and shareholder value by thorough strategic risk management.

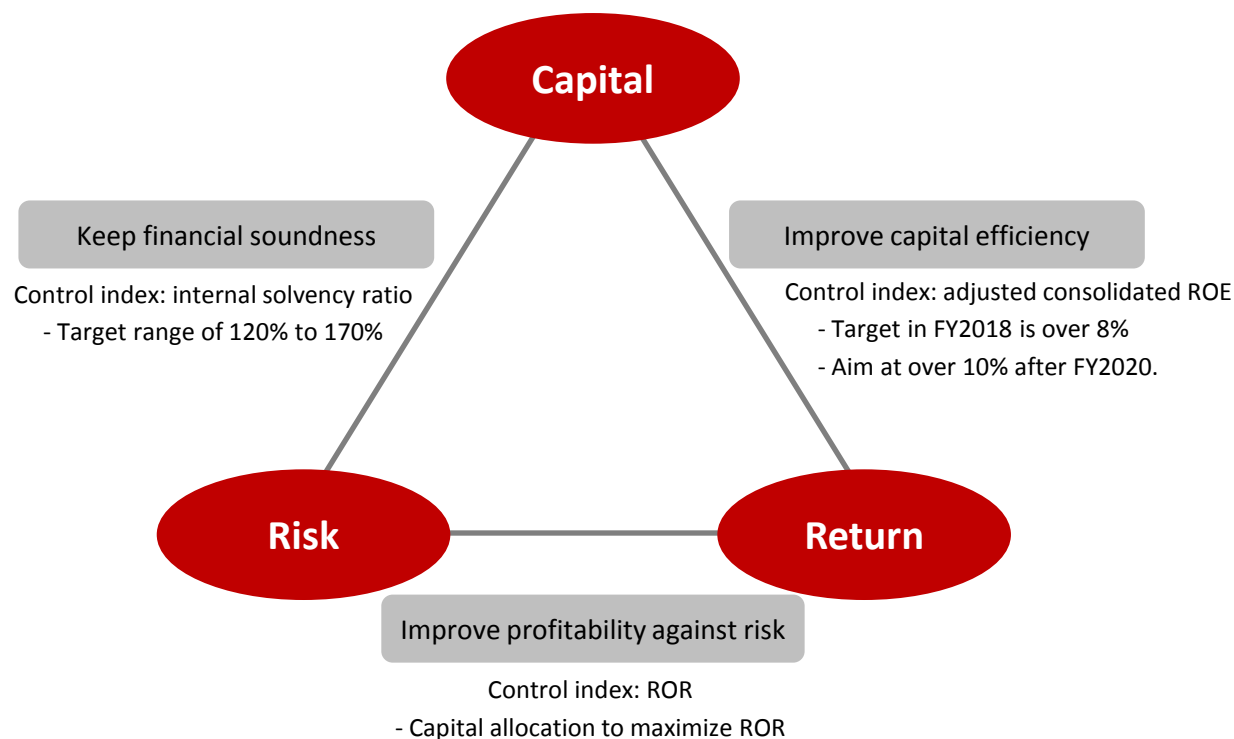
Management cycle of ERM



- ◆ Aim to keep robust financial soundness and improve capital efficiency (ROE) by controlling balance among capital, risk, and return.

Capital policy based on ERM framework

- Adopt more conservative capital control than Solvency II (use 99.95% VaR to calculate risk amount).
- Keep improving quality of capital and aim at capital policy that enables us to acquire return actively.

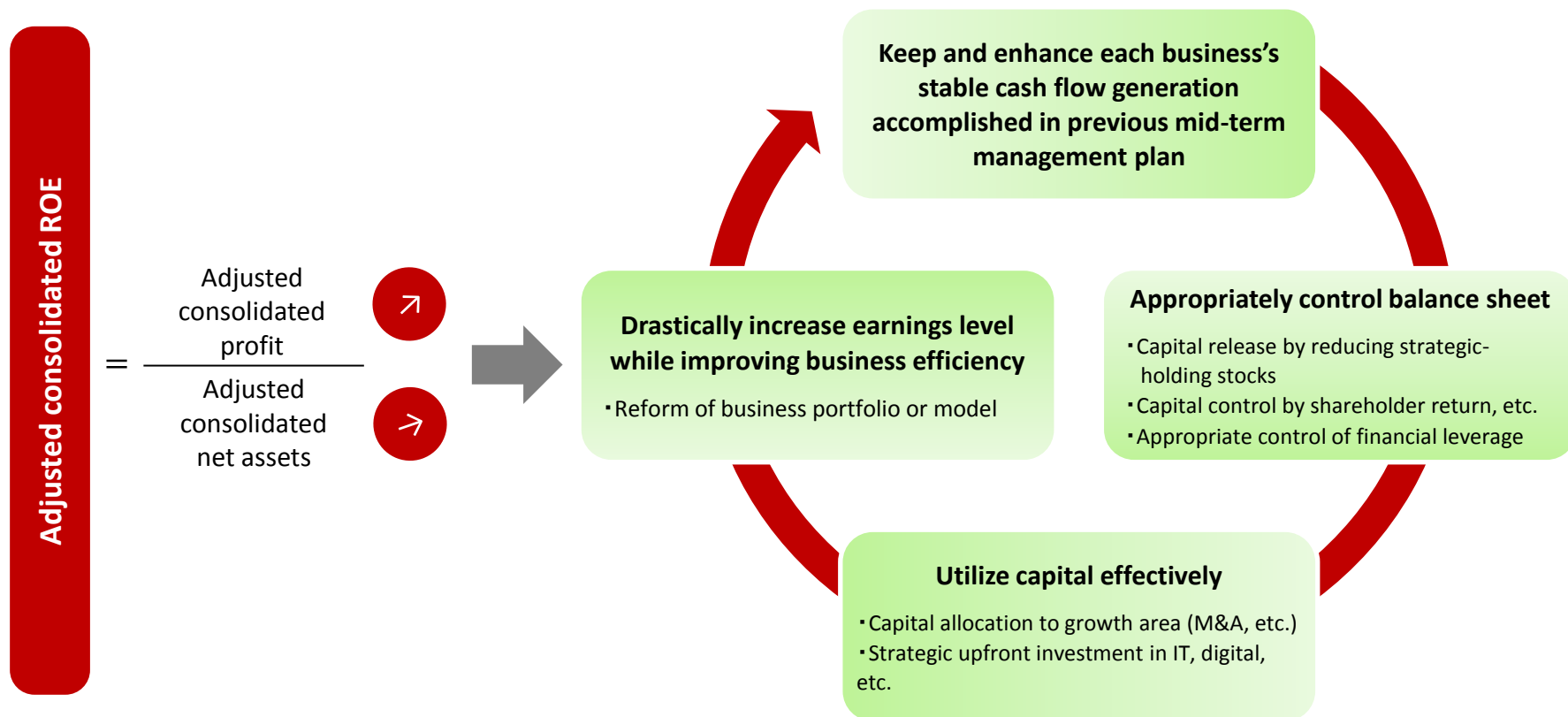


Path to Further Improvement of ROE

- ◆ Establish a cycle to improve ROE sustainably by utilizing cash generated in each business segment, and improving earnings and business efficiency under appropriate balance sheet management.

Cycle to improve ROE

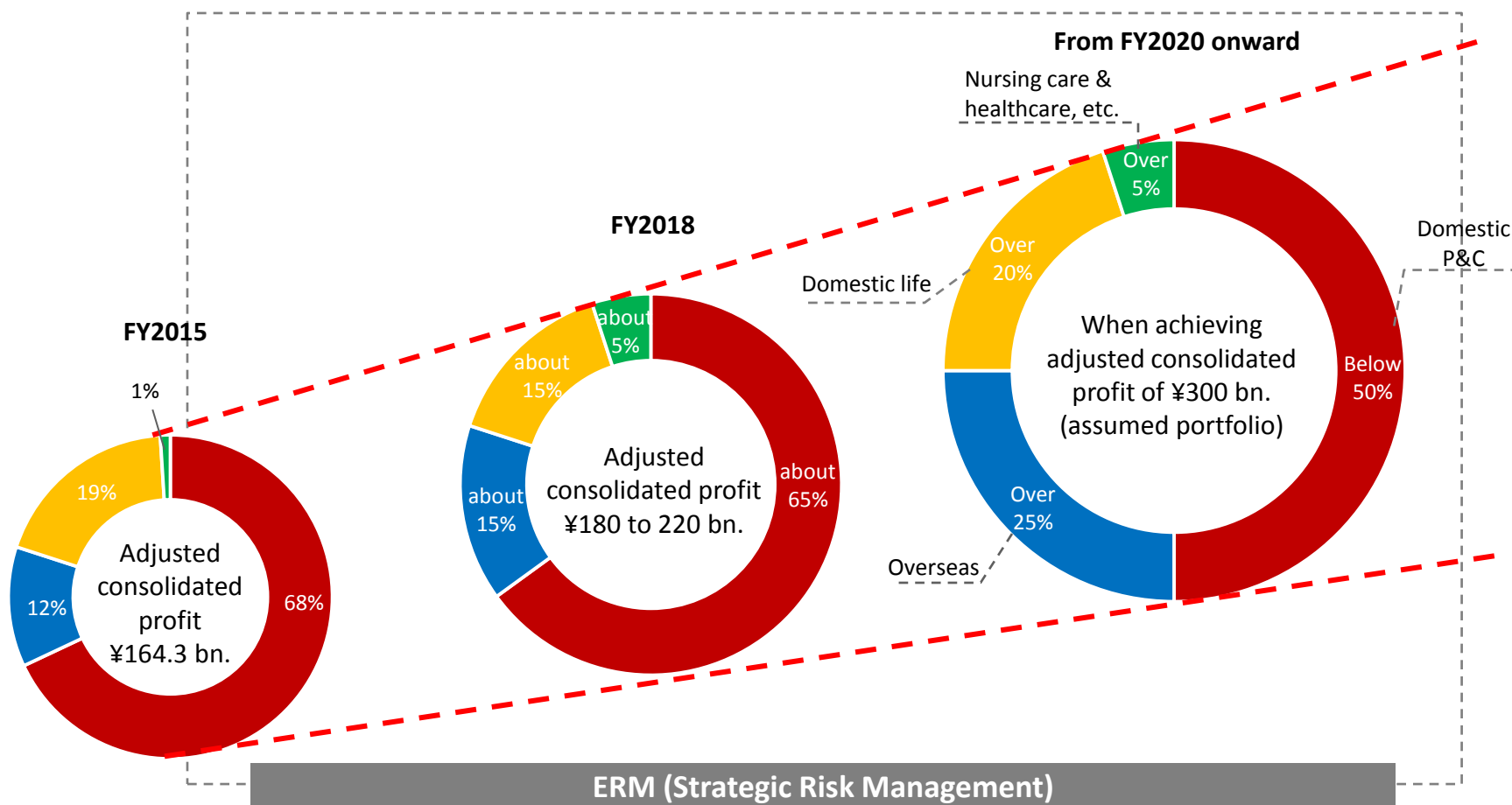
[Cycle to achieve over 10% of adjusted consolidated ROE]



Reform of Business Portfolio

◆ Build a well-balanced business portfolio that enables us to maximize risk diversification effect.

Transition of business portfolio (image)



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Initiatives in Each Business and Collaboration among Businesses

- ◆ Steadily grow and enhance attractiveness of each business, and provide total support to customers through collaboration among businesses.

Initiatives in each business

Domestic P&C insurance business

Value-generating innovation

– be the most highly evaluated P&C insurance company –

- Reform business process and system infrastructure
- Establish customer contact by digital and human
- Grow in accordance with quality

Domestic life insurance business

Evolve into health support enterprise

– the second founding –

- Evolve into health support enterprise
- Integrate seamlessly three elements of product, service, and channel as a business model

Digital strategy

Growth opportunities in accordance with financial soundness

Total support through collaboration among businesses

Nursing care & healthcare business, etc.

Realize “Japan, an affluent country that can boast to the world of a long and quality life.”

- Provide safe and reliable nursing care services while simultaneously ensuring the dignity and independence of the elderly.
- Provide total service of insurance, nursing care, and healthcare.

Overseas insurance business

Accelerate growth by steady organic growth and disciplined M&A

- Utilize Sompo Canopus as a vehicle for growth.
- Grow organically mainly in retail business in emerging countries.
- Conduct well-balanced M&A both in developed and emerging countries.

Business Strategy for Domestic P&C Insurance Business

- ◆ Expand size of earnings by drastically improving business efficiency and developing services thoroughly from customers' perspective.

Key points

Contribute to group strategy by generating stable funds for growth and utilizing the largest customer base in the group.

Global top level business efficiency

- Evolving into cost structure competitive on global basis by reforming business process and system infrastructure (future innovation project).
- Aim at below 30% of net expense ratio in the future.

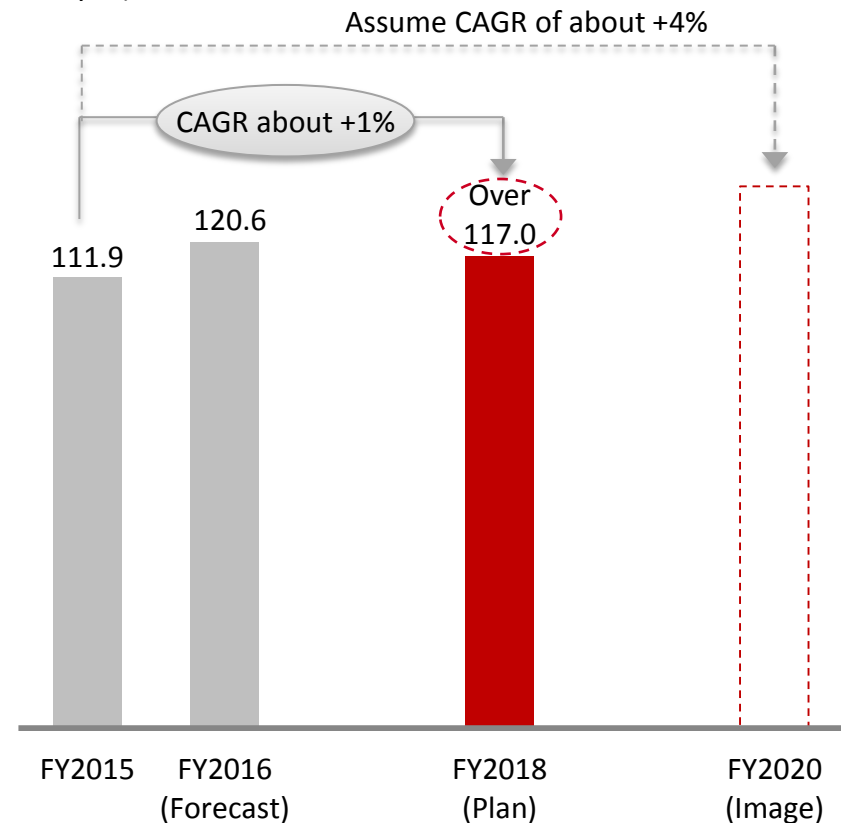


- Keep expanding top-line and bottom-line by developing products and services thoroughly from customers' perspective.
- Plan combined ratio of 93 to 94% level.

Growth accompanying quality

Plan for adjusted profit

(Billions of yen)

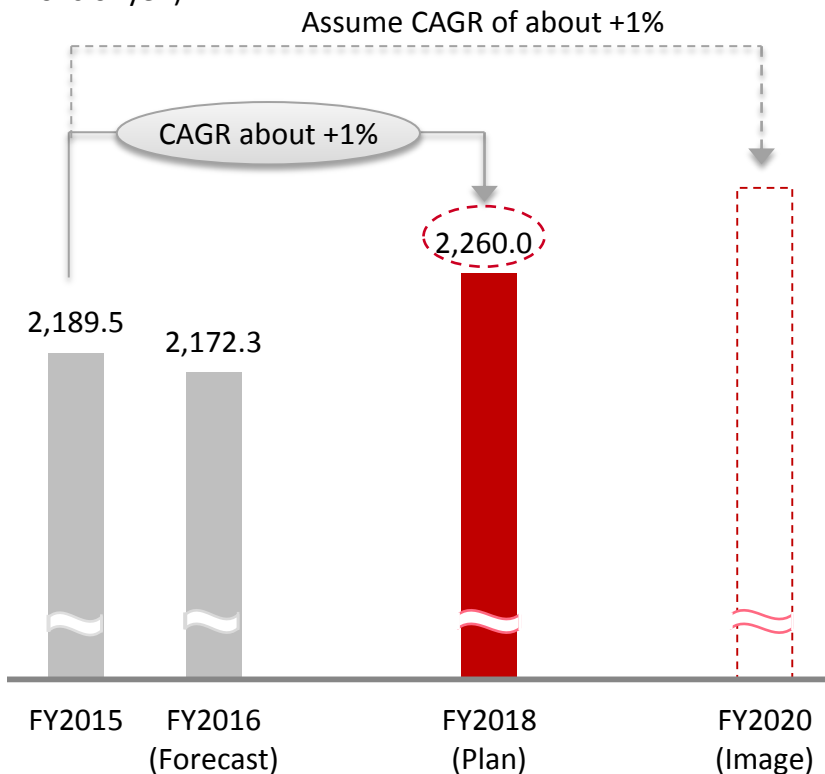


Sompo Japan Nipponkoa – Net Premiums Written

- ◆ Growth rate of net premiums written is expected to be about 1% per annum (conservatively assuming market average of growth rate is zero).

Trends of net premiums written*

(Billions of yen)



Assumptions of the plan

Automobile,
Fire and
allied lines

CAGR of +1.0% mainly due to expansion of market share (conservatively assuming market average of growth rate is zero)

Marine,
miscellaneous,
etc.

CAGR of +2.6% by selling customer-oriented products, and so forth.

* Net premiums written do not include assumed reinsurance premiums transferred from Sompo Japan Nipponkoa to Sompo Japan Canopus Re (about ¥30 billion).

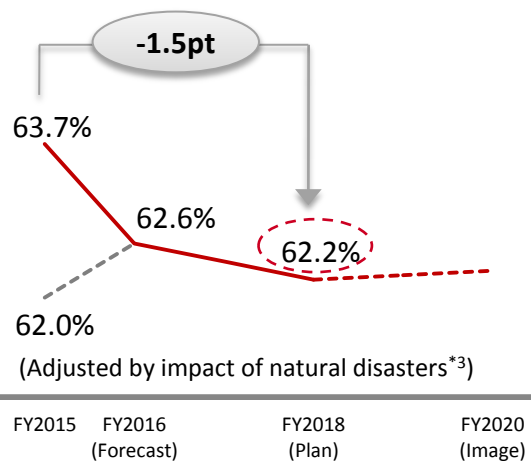
Sompo Japan Nipponkoa – Combined Ratio

◆ Plan combined ratio of 93 to 94% level by controlling net expense ratio appropriately, and so on.

Plan for combined ratio

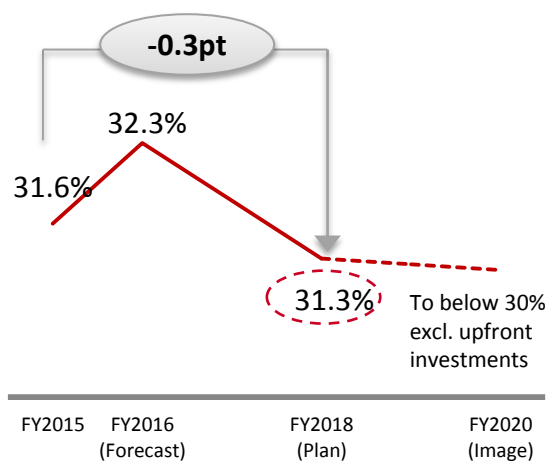
Net loss ratio^{*1}

- Loss ratio is expected to drop by 1.5 points.
- Loss ratio adjusted by impact of natural disasters is expected to be flat.



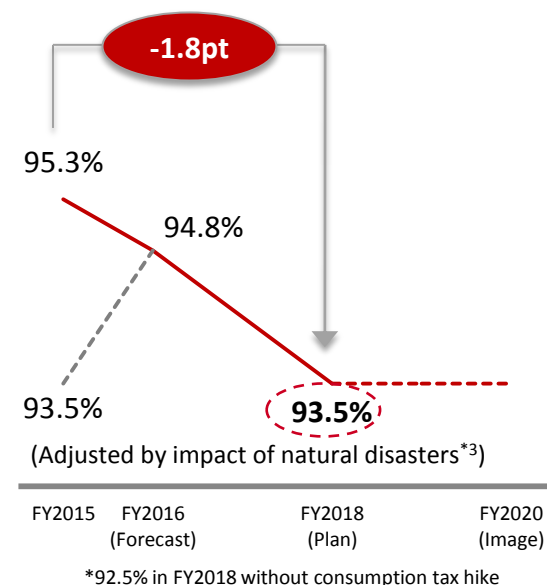
Net expense ratio

- Expense ratio is expected to keep dropping.
- Based on improved profitability, we have started upfront investment for next generation.



Combined ratio^{*2}

- Combined ratio of 93 to 94% level is planned.



*1 Loss ratio is on a written paid basis (including loss adjustment expense).

E/I loss ratios (excl. CALI, household earthquake) are 61.6% in FY2015 (actual), 59.3% in FY2016 (plan), and 60.2% in FY2018 (plan).

*2 Loss ratio and expense ratio are calculated assuming that consumption tax rate is raised from 8% to 10% in April 2017.

The impacts of consumption tax rate hike are +0.5pt in net loss ratio and +0.4pt in net expense ratio.

*3 Net loss occurred for domestic natural disasters is adjusted to assumption for new mid-term management plan (net loss occurred of ¥43 billion, net claims paid of ¥38 billion). (FY2015 (actual) figures are net loss occurred of ¥84.2 billion and net claims paid of ¥76.5 billion.)

Sompo Japan Nipponkoa – Future Innovation Project

- ◆ Improve productivity by reforming and slimming business process and system infrastructure.
- ◆ After completion of the project , achieve global top level company expense ratio.

Aspiration

Global top level company expense ratio

Simple system with advanced technologies

→The number of steps less than a half.

Agile product development by anticipating changes in business environment

→Period of product development from 7 to 2 months.

Achieve no administrative work in sales office

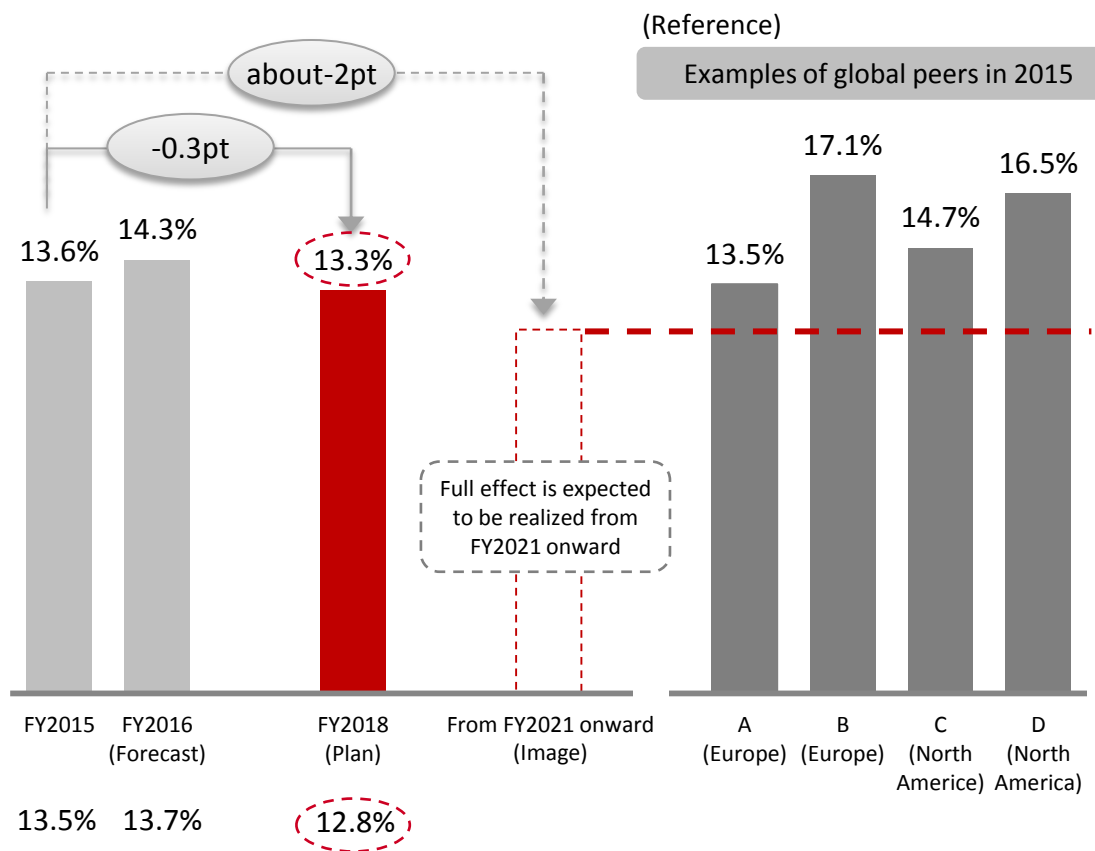
→Able to reduce sales headcounts by about 12%.



- Old systems
- Lengthening of product development
- Structural overlap between sales office and agent

Company expense ratio (excl. upfront investments)

Trends of company expense ratio*



* Company expense ratio = Operating, general and administrative expenses for underwriting / Net premiums written

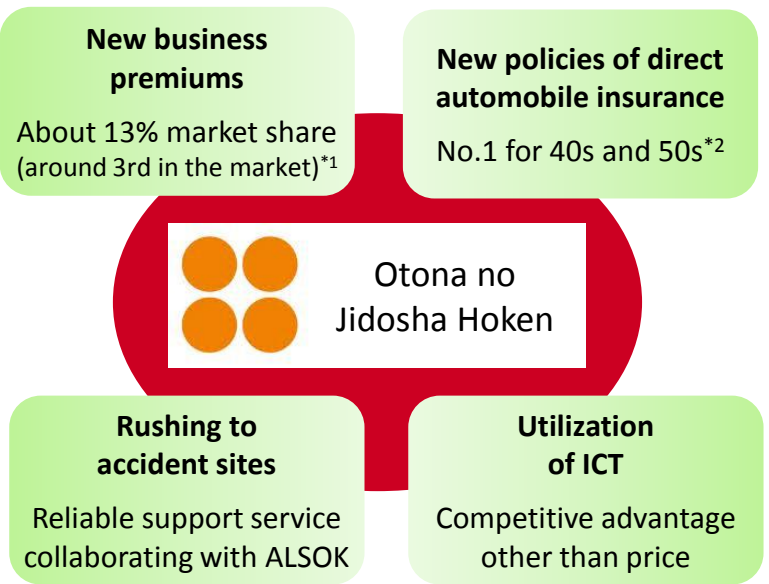
Domestic P&C	Domestic life	Nursing care & healthcare, etc.	Overseas
ERM, capital policy & asset management			

Direct Business

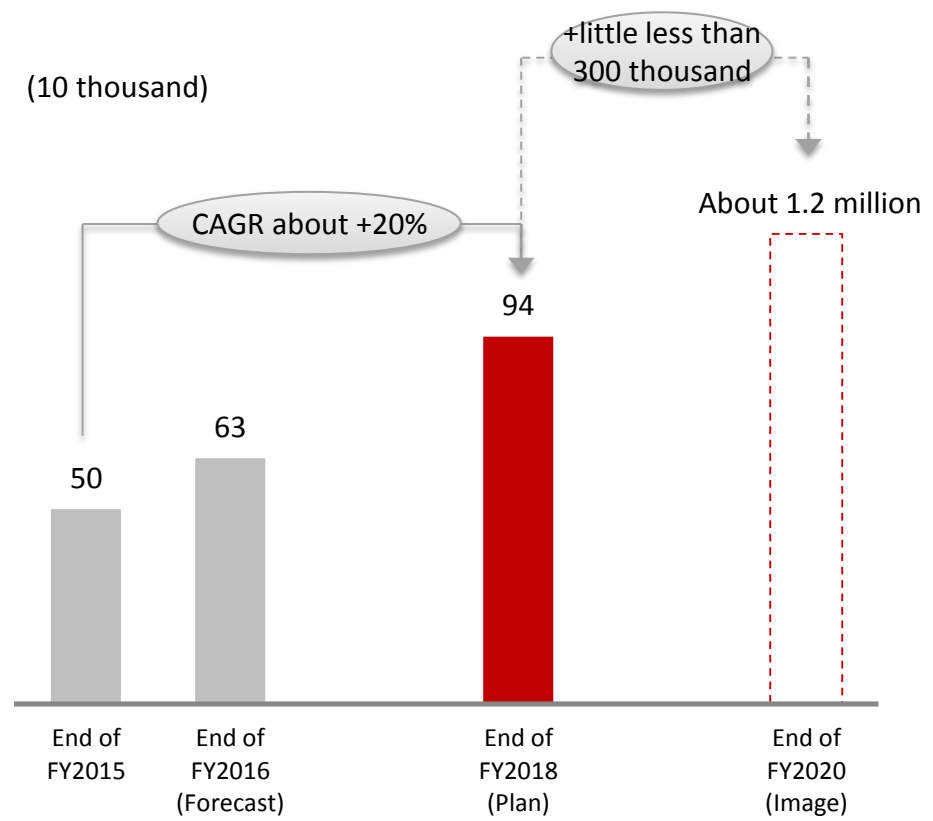
- ◆ Thoroughly prepared to deal with dramatic changes in direct insurance market in the future.
- ◆ Direct business will reach critical mass of about 1.2 million policies by the end of FY2020, and generate positive earnings.

Key points

Strengthen customer contact and improve customers' trust and usability by utilizing digital technologies, etc.



Trends of policies in force of "Otona no Jidosha Hoken"



*1 3Q FY2015(based on gross written premiums estimated by Saison Automobile & Fire)
 *2 Based on questionnaire research conducted by Saison Automobile & Fire (January 2016, 1,742 valid responses)

Business Strategy for Domestic Life Insurance Business

◆ Positioning FY2016 as our second founding, we transform ourselves into a health support enterprise as the most innovative life insurance company.

Key points

Evolve into the new business model focusing on customers' health, and contribute to group strategy by steadily increasing the number of customers.

New growth strategy

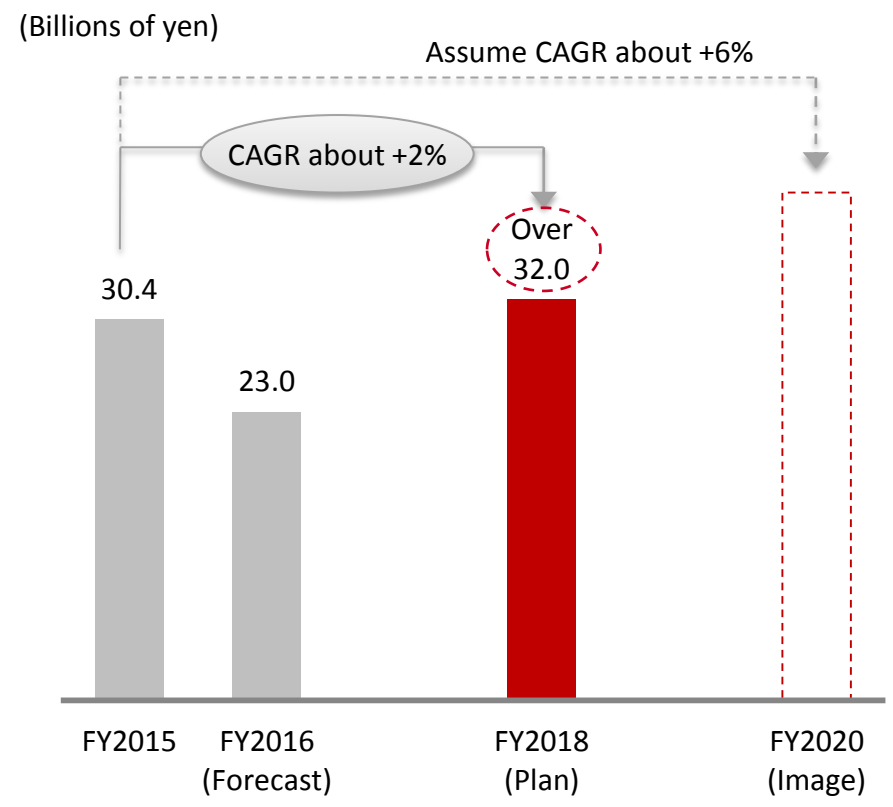
- **Product** : Launch products satisfying customers' needs
- **Service** : Provide health-support services
- **Channel** : Enhance hybrid channel*

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- Product strategy focusing on highly profitable protection-type products
- Channel strategy utilizing P&C agency network

Strengths of Himawari Life

Plan for adjusted profit



* High-quality life insurance sales representatives follow up customers enrolling in insurance online.

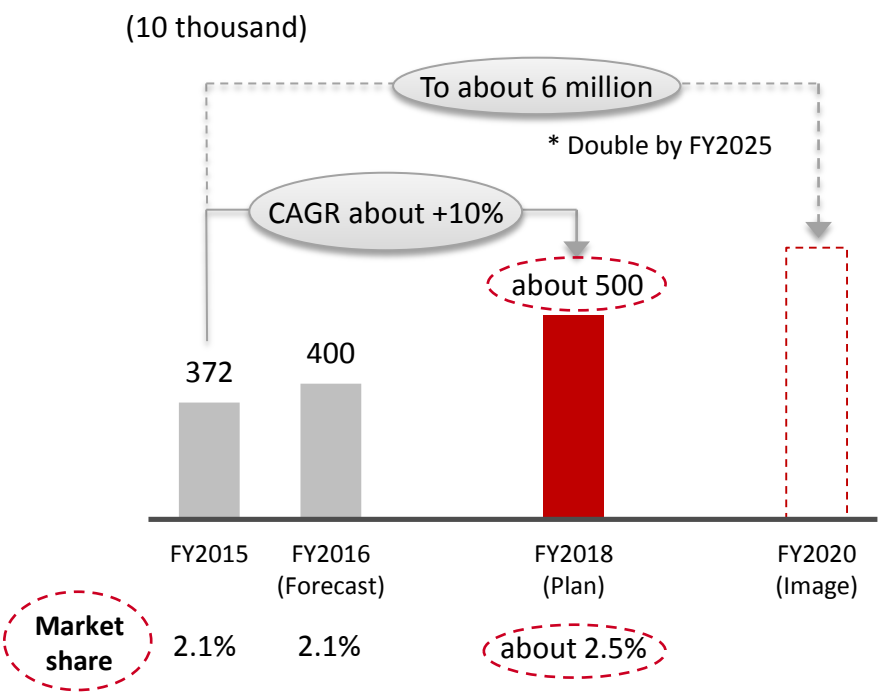
Himawari Life – New Growth Strategy

◆ Drastically enhance presence in the market by seamless integration of product, service, and channel.

Detailed initiatives

- Product**
Launch new products breaking industry norms
 By focusing on coverage for which customers have strong needs, launch new products in which customers can enroll online.
- Service**
Provide new services
 Provide customers with a variety of services that support health of our customers by utilizing digital technologies.
- Channel**
Establish hybrid channel
 Establish system where high-quality sales representatives selected by Himawari Life follow up customers enrolling in insurance online.
- Product + Service**
Challenge to integrate product and service
 Aim to develop new products that integrate insurance product and services that help customers to be healthy.

The number of policies in force



(Reference) Definition of Adjusted Profit for Domestic Life

Change definition of adjusted profit in order to grasp business performance of domestic life insurance business appropriately and to link it to shareholder return.

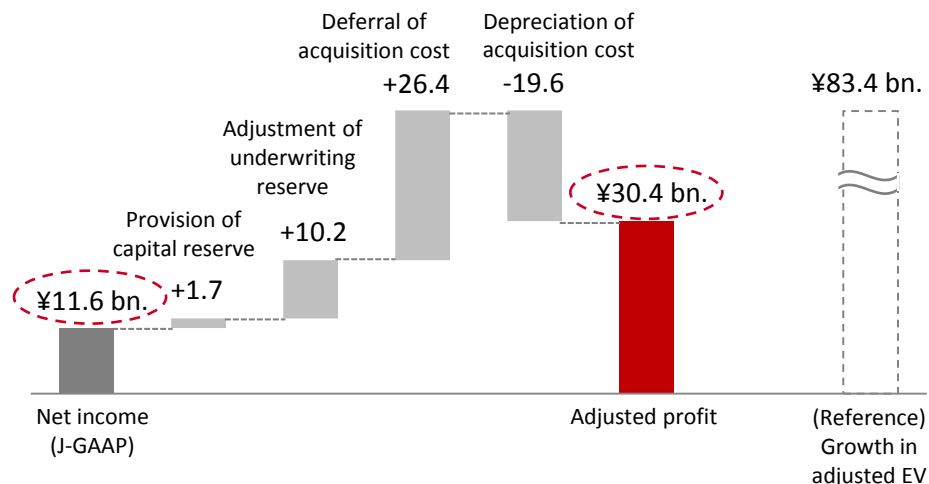
3 characteristics of new adjusted profit

- 1 Earning level becomes twice or three times larger than J-GAAP profit.
- 2 It shows more substantial profitability by adjusting provision of capital reserve or conservative underwriting reserve.
- 3 Since it approximates to global standards, such as IFRS or US-GAAP, the comparability with global peers improves.

* Although MCEV is largely influenced by interest rate, we plan to continue to use it as an important indicator that indicate our corporate value.

Conversion from J-GAAP net income to new adjusted profit

Calculation based on FY2015 results (billions of yen)



(Reference)

$$\begin{aligned} \text{Adjusted profit} = & \text{Net income} + \text{Provision of capital reserve}^{*1} \\ & + \text{Adjustment of underwriting reserve}^{*2} \\ & + \text{Deferral of acquisition cost}^{*3} \\ & - \text{Depreciation of acquisition cost}^{*3} \end{aligned}$$

*1 Net provision of contingency reserve and reserve for price fluctuation (after tax)

*2 Changes between net provision of underwriting reserve re-calculated with factors used for calculation of premiums and official net provision of underwriting reserve, which is calculated conservatively (after tax)

*3 Acquisition cost, such as commissions for new contracts, depreciated over 10 years (after tax)

Business Strategy for Nursing Care & Healthcare Business, etc.

◆ Realize “Japan, an affluent country that can boast to the world of a long and quality life” by providing comprehensive nursing care & healthcare services that satisfy needs of the elderly.

Key points

Contribute to group strategy as a new business pillar by utilizing ICT and digital technologies, and reshaping the industry through collaboration of insurance and nursing care.

Nursing care & healthcare business

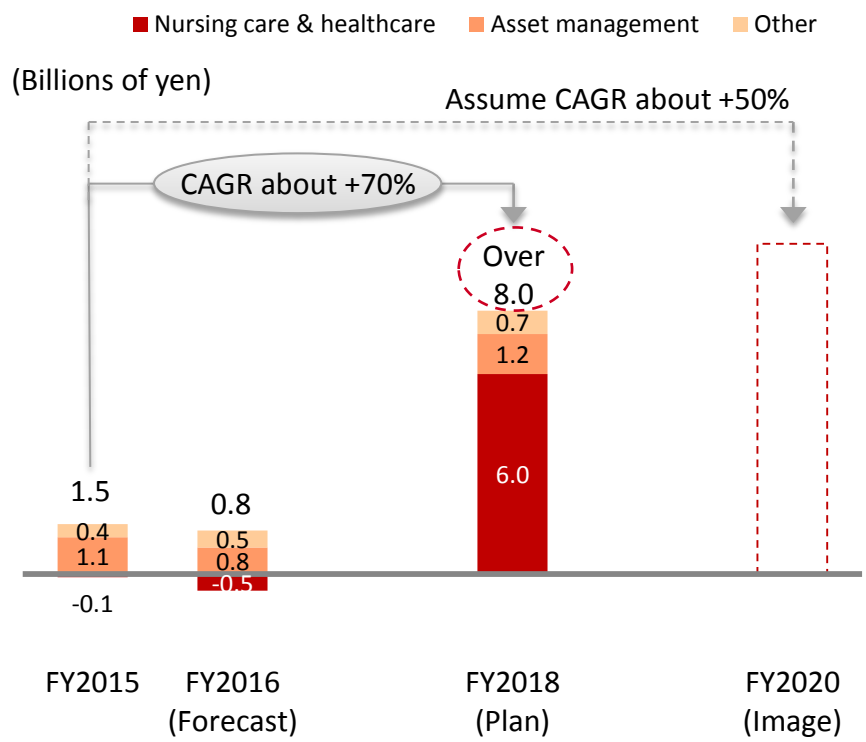
- Establish business base by strengthening internal control system.
- Improve productivity and quality by utilizing ICT or enhancing training.
- Enhance at-home nursing care service and strengthen functions.

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- Strengthen and expand business domains beyond the boundaries of insurance.
- Focus rigorously on continuously providing services of the highest quality through alliance with major players and collaboration among businesses.

Other businesses

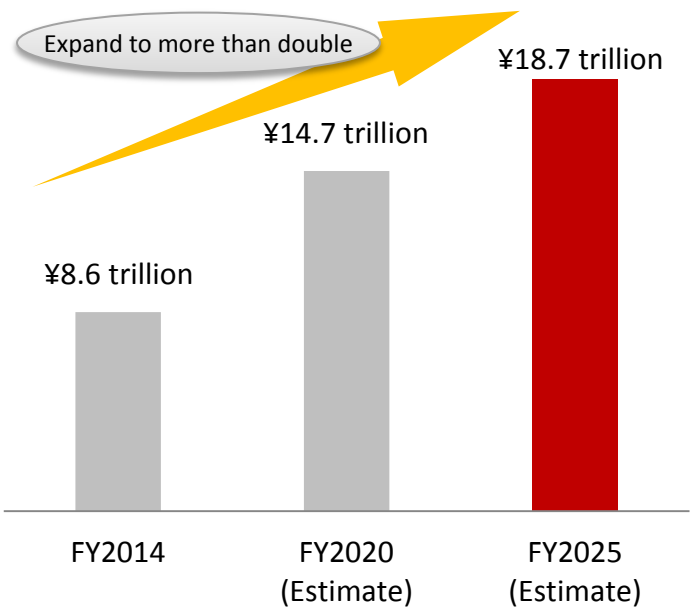
Plan for adjusted profit



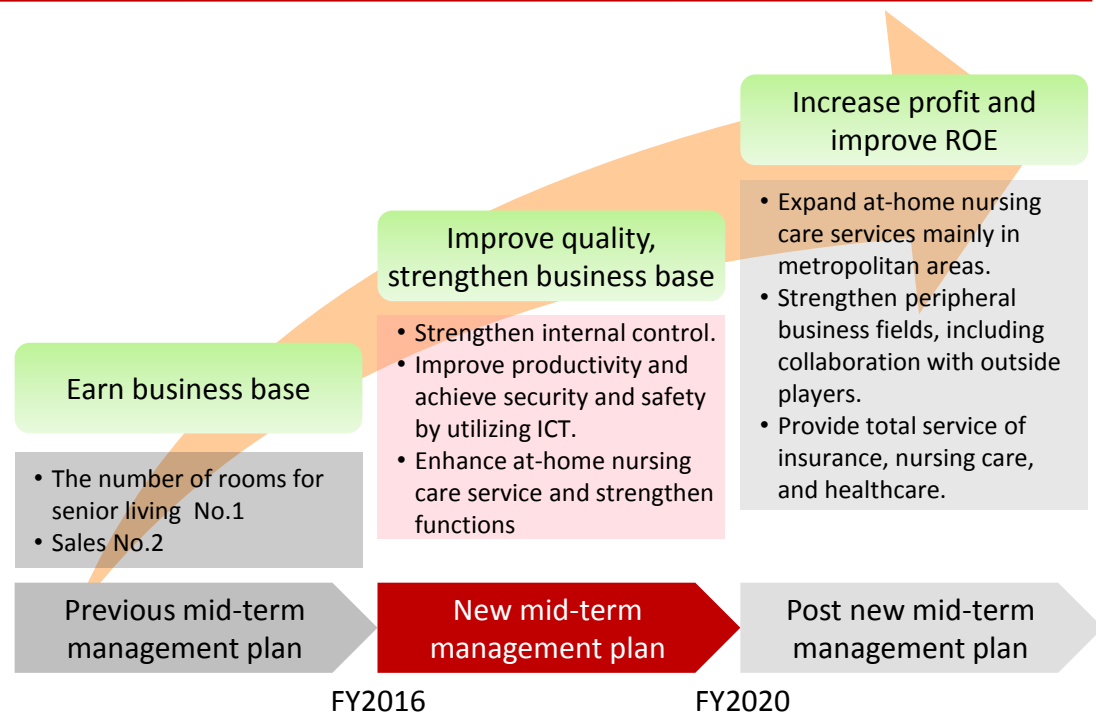
Road Map for Nursing Care & Healthcare Business

- ◆ Develop nursing care services to provide comprehensive united at-home services, combining nursing care, preclinical and preventive care, and collaboration with medical institutions.
- ◆ Differentiate group's business model by strengthening peripheral business fields, including collaboration with outside players.

Estimated scale of the nursing care market in which private operators can participate*



Reform of nursing care & healthcare business



* Estimated based on below sources.

- Prepared based on "Present Situation and Future Prospect of the Public Nursing Care Insurance System" and "Survey of Long Term Care Benefit Expenditures" by the Ministry of Health, Labour and Welfare
- "Estimated Figures of Expenses Related to Social Security" by Ministry of Finance
- "Present Situation and Future Prospect of Welfare-related Markets 2014" by Fuji Keizai Co., Ltd.
- "Data Service Concerning Housing for Elderly People for the First Six Months of 2014" by Tamura Planning & Operating (Estimated figures) .

Business Strategy for Overseas Insurance Business

◆ Aim at organic growth faster than market average, and drastic expansion through disciplined M&A.

Key points

Contribute to group strategy by growing organically and pursuing certain level of scale through external growth.

Steady organic growth

- Developed countries Utilize Sampo Canopus as a vehicle for growth.
- Emerging countries Grow faster than market average.

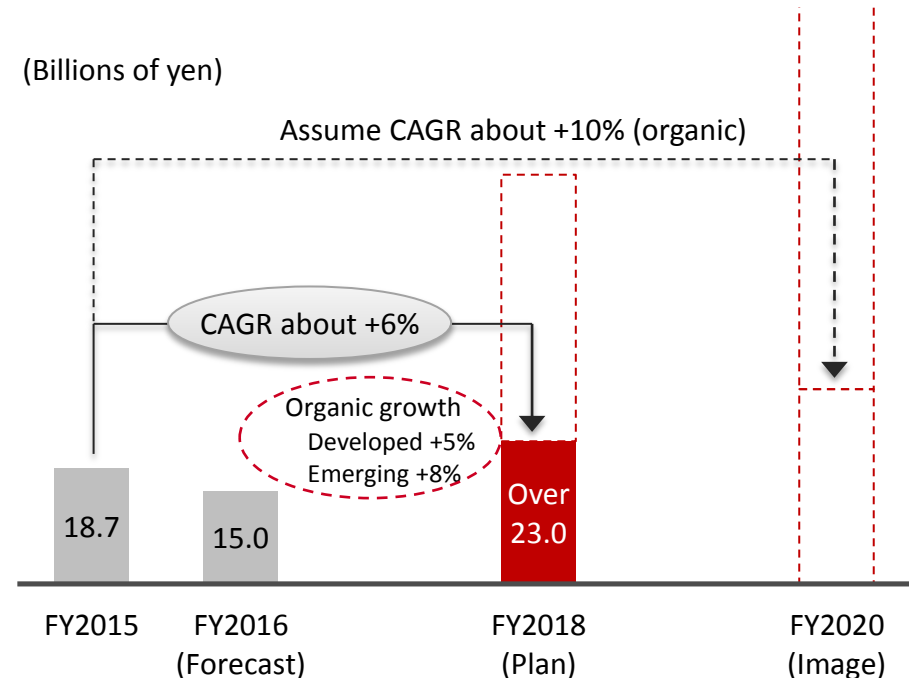


- Conduct well-balanced investments both in emerging countries to expect future growth and in developed countries to acquire immediate profit.
- Scrutinize each deal in terms of valuation, possibility of PMI, and affinity of corporate culture.

Accelerated growth via disciplined M&A

Plan for adjusted profit

(Billions of yen)



* Adjusted special factor in FY2015 (+ about ¥1.7 billion in SJ America in accordance with restructuring of shareholders of invested company).

Appetite for Growth

- ◆ In existing overseas subsidiaries, aim at growth by utilizing resources of Sompo Canopius, and growth in retail business in emerging countries.
- ◆ As for M&A, consider well-balanced investments in developed and emerging countries.

Key points for organic growth

Establish strategies for each local market by delegating authority to executives of each region and top executives of subsidiaries.

Developed countries	<ul style="list-style-type: none"> • Utilize Sompo Canopius for platform of reinsurance, ERM, etc. • Improve profitability by reforming business portfolio.
Emerging countries	<ul style="list-style-type: none"> • Expand mainly in retail business by utilizing business base in existing countries, such as Brazil, Turkey, and South East Asia countries. • Clarify targets, such as product, sales channel, etc. and achieve faster growth than market average.

Targets of M&A

(System to realize disciplined M&A)

- Appointed an executive in charge of overseas M&A (Mr. Nigel Frudd) in UK.
- Established system to conduct speedy M&A while keeping policy of disciplined M&A (e.g. set specialized committee for M&A).
- Increased know-how and experience for PMI.

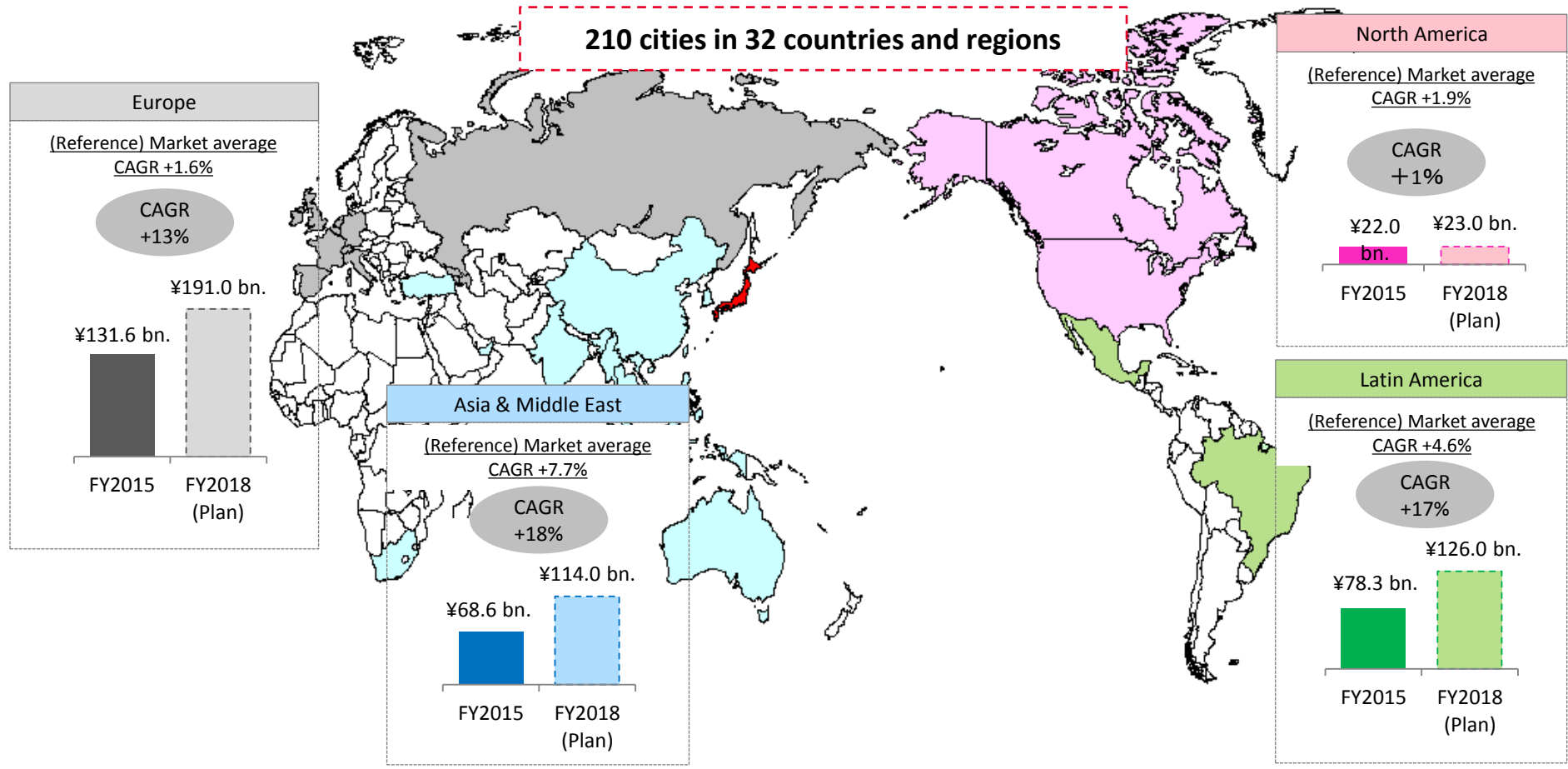
	Purpose	Targets
Developed countries	Stable profit contribution	Insurance companies competitive in certain fields mainly in corporate area
Emerging countries	Profit contribution over mid-to-long term	Insurance companies expected to grow fast over mid-to-long term mainly in retail area

Premiums



◆ Increase top-line by grasping growth in emerging countries while aiming at expansion by M&A.

Premiums written in each area (only organic growth)



* Premiums written are those underwritten only by foreign subsidiaries, and, therefore, do not include those underwritten abroad by Sompo Japan Nipponkoa.

* Data source of market average CAGR is Munich Economic Research (Estimated CAGR from 2015 to 2025)

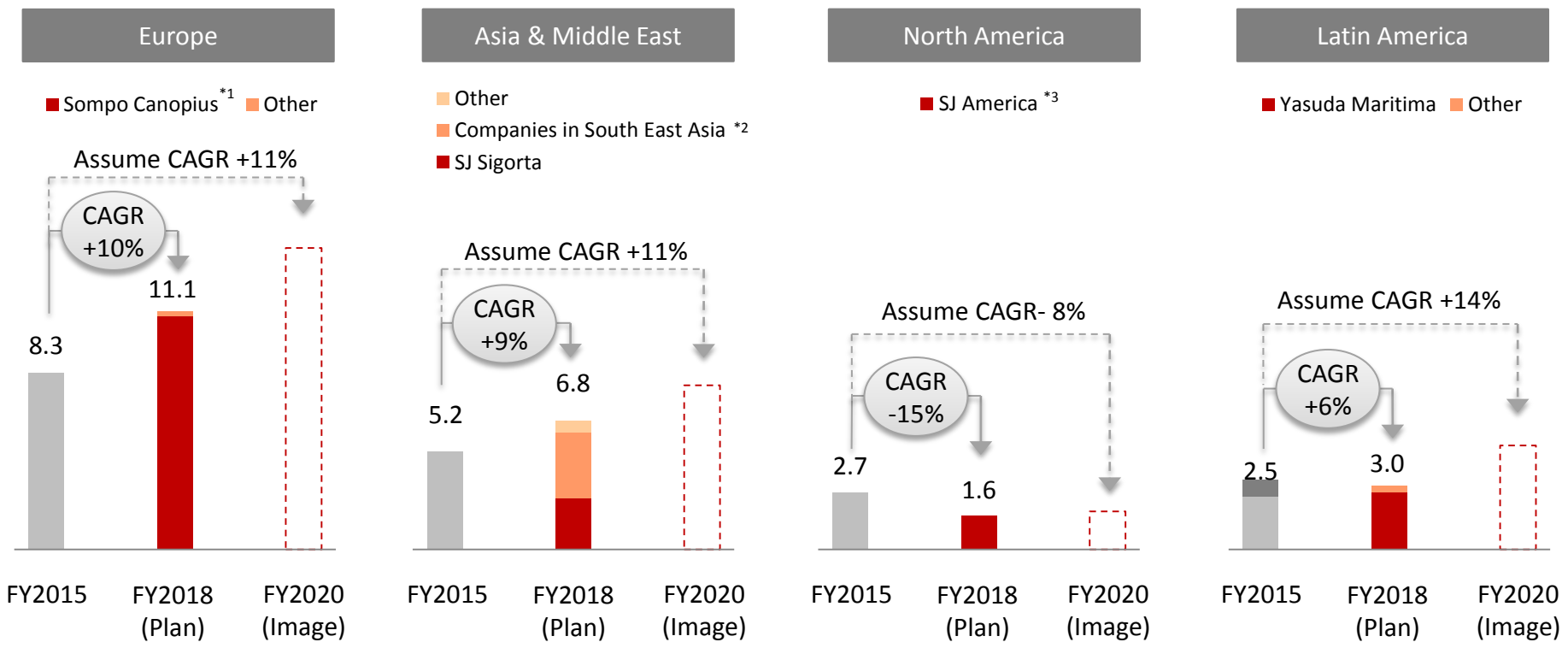
Domestic P&C	Domestic life	Nursing care & healthcare, etc.	Overseas
ERM, capital policy & asset management			

Net Income

◆ Achieve steady organic growth in bottom-line.

Net income in each region (only organic growth)

(Billions of yen)



*1 Include assumed reinsurance business by Sompo Japan Canopus Re.

*2 Sum of Sompo Singapore, Berjaya Sompo (Malaysia), Universal Sompo (India), Sompo Indonesia, SJNK Thai, PGA Sompo (Philippines), United Insurance (Vietnam)

*3 Adjusted special factor in FY2015 (+ about ¥1.7 billion in SJ America in accordance with restructuring of shareholders of invested company).

1. Previous mid-term management plan

2. Environment

3. New mid-term management plan

3-1. Key points of new mid-term management plan

3-2. Business strategies for each business segment

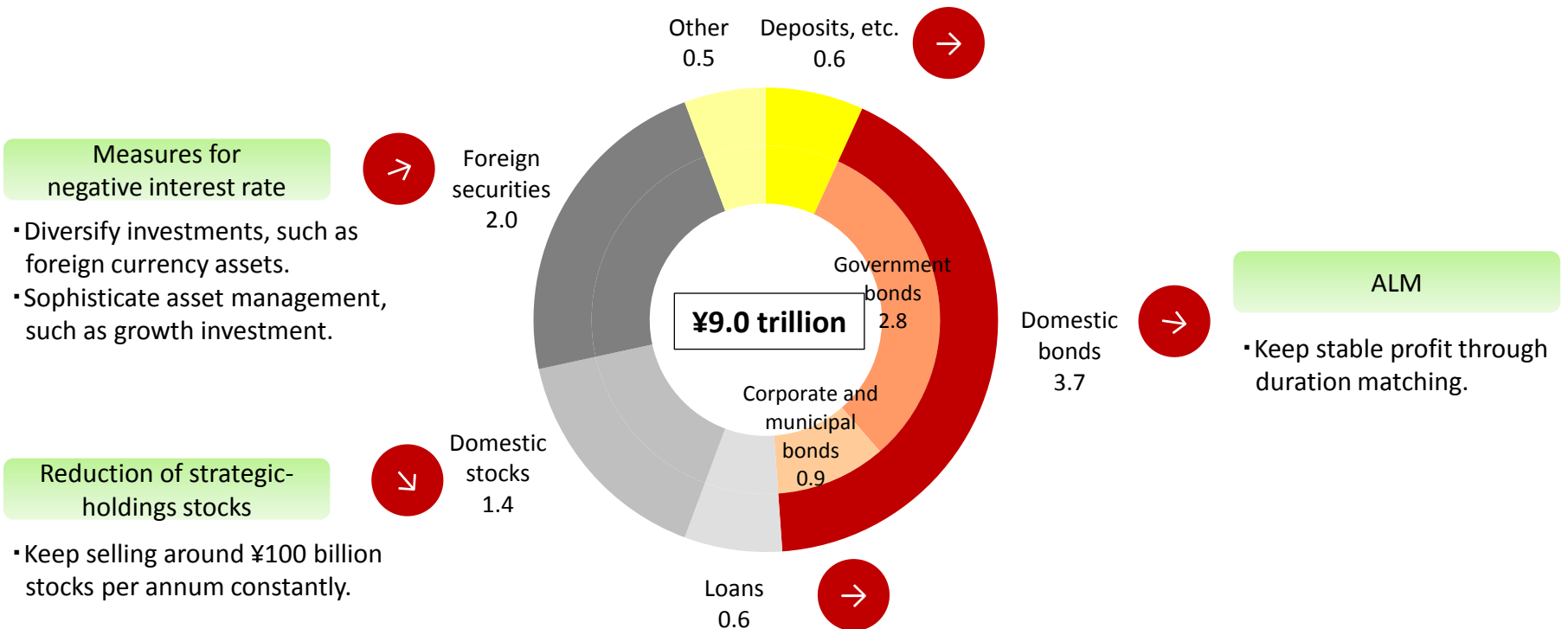
3-3. ERM, capital policy & asset management

Strategy for Asset Management

- ◆ Keep reducing strategic-holding stocks, and improve return on risk by diversifying investments.
- ◆ Aim at stable investment profit through ALM, considering characteristics of liability and liquidity.

Investment policy

Amount of investment assets (trillion of yen, end of March 2016, group-wide basis)



* Other includes lands, buildings and stocks of non-consolidated subsidiaries, etc.

Reduction of Strategic-holding Stocks

- ◆ By reducing strategic-holding stocks, enhance quality of capital, and improve capital efficiency by utilizing released capital for growth investments, etc.

Plan for reduction of strategic-holding stocks

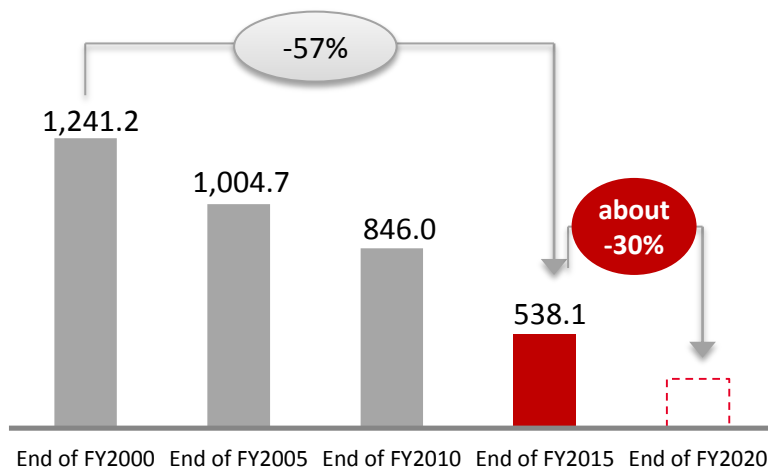
Around ¥100 billion (fair value basis)

Disclosure based on Corporate Governance Code

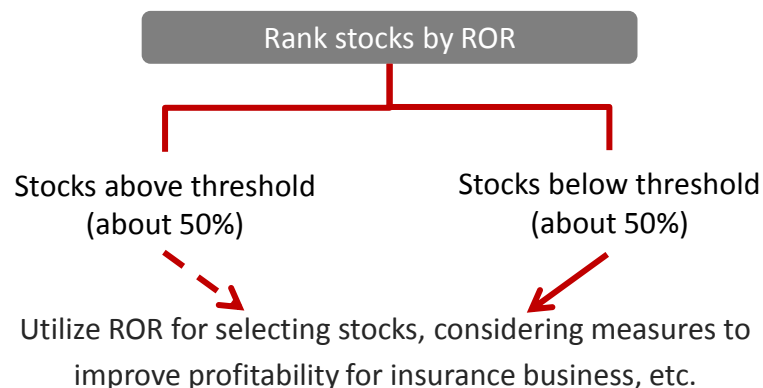
We plan to keep reducing strategic-holding stocks.

- Discuss on the Board of Directors meetings about strategic-holding stocks, based on economic rationality, etc.
- Allocate a part of capital surplus released by reduction of strategic-holding stocks to growth business investments to improve financial soundness and capital efficiency.

(Reference) Balance of strategic-holding stocks on book value (billions of yen)



(Reference) Image to utilize ROR indicator



* As for ROR calculation, numerator (return) is the sum of dividend income of strategic-holding stocks (excluding investment expense) and net underwriting results of insurance business. Denominator (risk) is the sum of risks of stock price change and insurance risk.

Financial Soundness – Internal Solvency Ratio

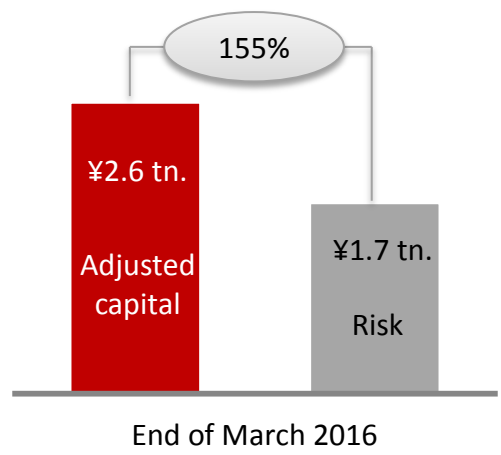


◆ Control domestic natural disaster risk and investment risk, and keep robust financial soundness.

Internal solvency ratio

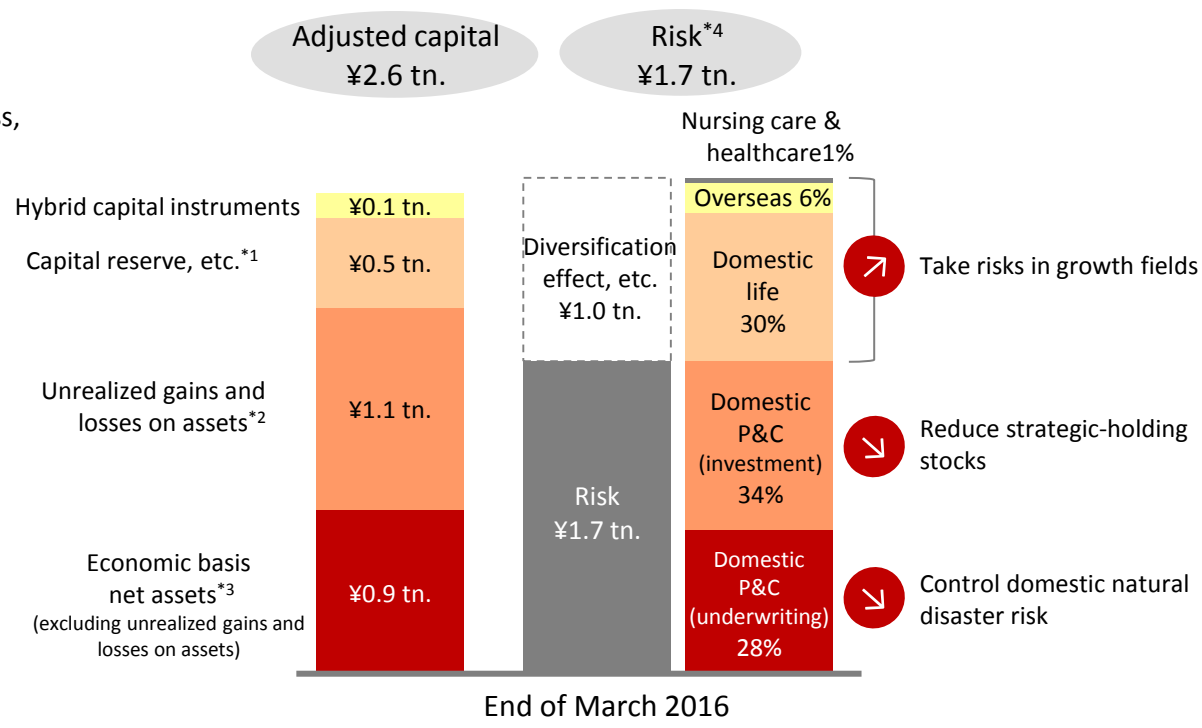
Target range is around 120% to 170%.

- 120%: The level leading to stable financial soundness, based on the result of stress test, etc.
- 170%: The level set based on capital efficiency



* Internal solvency ratio is calculated according to Solvency II. However, conservative 99.95% VaR is used for calculation of risk amount.

Breakdown of adjusted capital and risk



*1 Reserve for price fluctuation and catastrophic loss reserve, etc. (after tax)
 *2 Unrealized gains and losses on securities, etc., including non mark-to-market assets (e.g. policy reserve matching bonds)
 *3 Total of net assets on non-consolidated balance sheets, and value in force of P&C and life insurance business.
 *4 Risk : 1 year holding period, 99.95% VaR (AA equivalent confidence level)
 Risk amount of each business: 99.95% VaR before reflecting risk diversification effect among businesses and before-tax basis.
 Group total risk: Sum of risk amount of each business less risk diversification effect among businesses and tax impact.

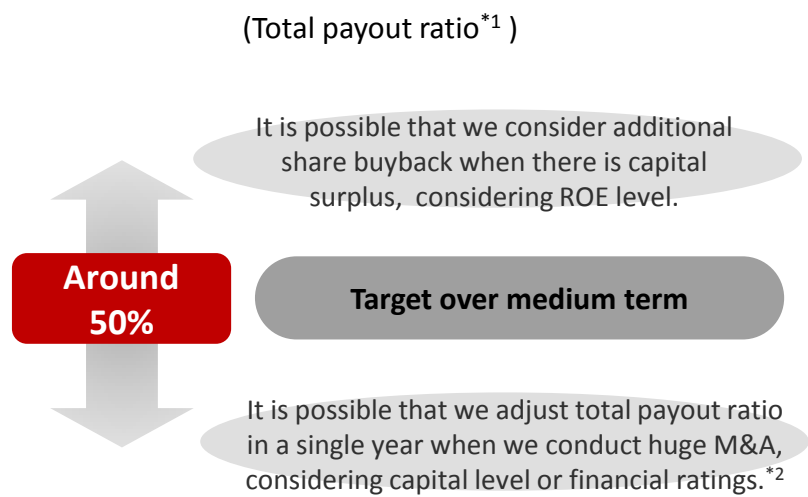
Shareholder Return



- ◆ Based on growth of adjusted consolidated profit, plan to increase total shareholder return (cash dividend and share buyback).
- ◆ Adjusted profit of domestic life insurance business is newly included in fund for shareholder return, and target of total payout ratio over medium term is 50%.

Shareholder return policy

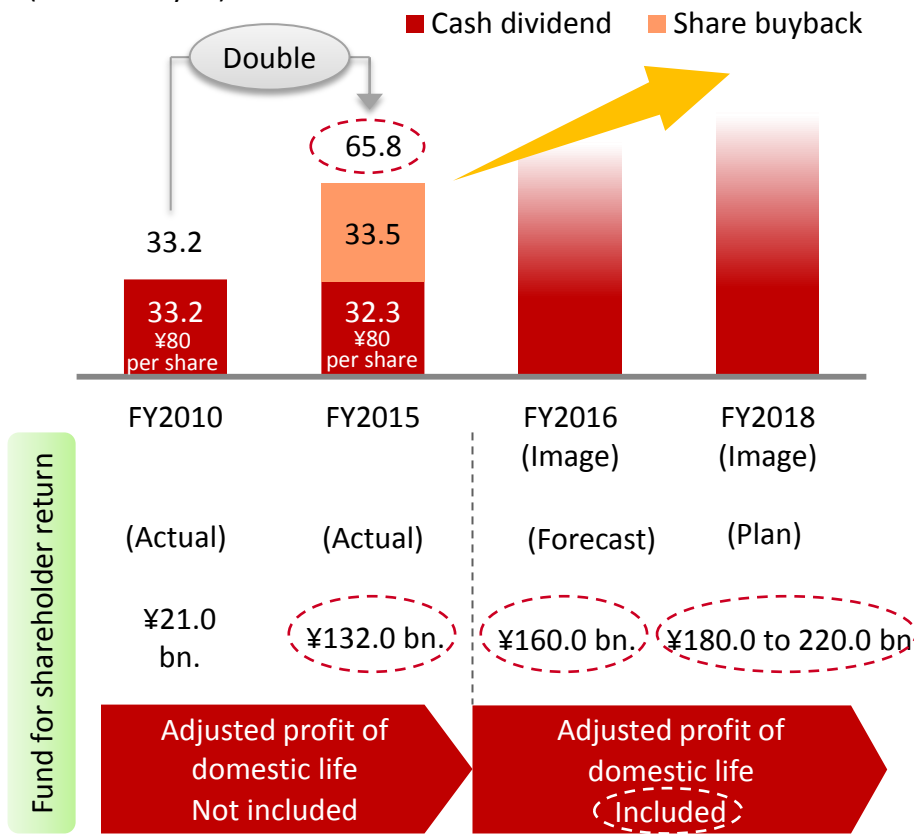
Aim at attractive shareholder return through stable dividend and flexible share buyback, taking into account dividend yield or DPS growth, etc.



*1 Total payout ratio = (Cash dividend + Share buyback) / Adjusted consolidated profit
 *2 Not plan to lower total payout ratio below 30% in a single year.

Total amount of shareholder return

(Billions of yen)



(Reference) Group Numerical Management Targets

Numerical targets

(Billions of yen)	FY2015* (Actual)	FY2016 (Forecast)	FY2018 (Plan)
Domestic P&C insurance	111.9	120.6	Over 117.0
Domestic life insurance	30.4	23.0	Over 32.0
Nursing care & healthcare, etc.	1.5	0.8	Over 8.0
Overseas insurance	20.4	15.0	Over 23.0
Total (adjusted consolidated profit)	164.3	160.0	180.0 – 220.0
Adjusted consolidated ROE	6.9%	6.8%	Over 8%
(Reference) ROE (J-GAAP)	9.2%	8.4%	Around 10% level

*Figures for FY2015 are based on new standards.

(Reference) Numerical Management Targets for Major Subsidiaries

Sompo Japan Nipponkoa

(Billions of yen)	FY2015	FY2016	FY2018	
	(Actual)	(Forecast)	(Plan)	(Change from FY2015)
Net premiums written	2,218.4	2,189.3	2,258.6	+40.2
(Excl. CALI, household earthquake)	1,910.8	1,886.2	1,957.4	+46.6
Loss ratio	63.7%	62.6%	62.2%	-1.5pt
(Excl. CALI, household earthquake)	61.1%	59.3%	59.2%	-1.9pt
E/I loss ratio (excl. CALI, household earthquake)	61.6%	59.3%	60.2%	-1.4pt
Net expense ratio	31.6%	32.3%	31.3%	-0.3pt
(Excl. CALI, household earthquake)	33.4%	34.1%	33.0%	-0.4pt
Combined ratio	95.3%	94.8%	93.5%	-1.8pt
(Excl. CALI, household earthquake)	94.5%	93.4%	92.2%	-2.3pt
Underwriting profit	78.2	86.5	91.8	+13.6
Investment profit	108.5	121.5	118.3	+9.8
Ordinary profit	178.0	196.5	197.4	+19.4
Net income	126.2	140.0	138.6	+12.4
Adjusted profit	116.1	126.0	120.0	+3.9

Himawari Life

(Billions of yen)	FY2015	FY2016	FY2018	
	(Actual)	(Forecast)	(Plan)	(Change from FY2015)
Annualized new premium	40.3	40.5	44.0	+3.7
Premium and other income	396.4	408.4	454.9	+58.5
Investment profit	42.2	43.0	44.4	+2.2
Ordinary profit	22.5	14.8	23.0	+0.5
Net income	11.6	6.5	12.0	+0.4
Adjusted profit	30.4	23.0	32.0	+1.6

(Reference) Definition of Adjusted Consolidated Profit, etc.

		New mid-term management plan	(Reference) Previous plan
Adjusted profit for each business	Domestic P&C insurance* ¹	Net income + Provisions for catastrophic loss reserve (after tax) + Provisions for reserve for price fluctuation (after tax) – Gains/losses on sales of securities and impairment losses on securities (after tax) – Special factors (e.g. dividend from subsidiaries)	Net income + Provisions for catastrophic loss reserve (after tax) + Provisions for reserve for price fluctuation (after tax) – Gains/losses on sales of securities and impairment losses on securities (after tax) – Special factors
	Domestic life insurance Change	Net income + Provision of capital reserve (after tax) + Adjustment of underwriting reserve (after tax) + Deferral of acquisition cost (after tax) – Depreciation of acquisition cost (after tax)	Growth in embedded value (EV) – Capital transactions such as equity issuance – Changes in EV attributable to fluctuation of interest rates, etc.
	Nursing care & healthcare, etc.	Net income	Net income
	Overseas insurance Change	Net income (incl. major non-consolidated subsidiaries)	Net income (excl. non-consolidated subsidiaries)
Adjusted consolidated profit		Total of above adjusted profits	Total of above adjusted profits
Adjusted consolidated net assets Change	Consolidated net assets (excluding life insurance subsidiary's net assets) + Catastrophic loss reserve in domestic P&C insurance (after tax) + Reserve for price fluctuation in domestic P&C insurance (after tax) + Domestic life insurance adjusted net assets* ²	Consolidated net assets (excluding life insurance subsidiary's net assets) + Catastrophic loss reserve in domestic P&C insurance (after tax) + Reserve for price fluctuation in domestic P&C insurance (after tax) + Life insurance subsidiary's EV	
Adjusted consolidated ROE	Adjusted consolidated profit / Adjusted consolidated net assets * The denominator is the average balance at the end/start of each fiscal year.	Adjusted consolidated profit / Adjusted consolidated net assets * The denominator is the average balance at the end/start of each fiscal year.	

*1 Total of Sompo Japan Nipponkoa, Saison Automobile & Fire, Sonpo 24, Sompo Japan Nipponkoa Insurance Services, and DC Securities

*2 Domestic life insurance net assets = Net assets (J-GAAP, after tax) + Contingency reserve (after tax) + Reserve for price fluctuation (after tax) + Adjustment of underwriting reserve (after tax) + Non-depreciated acquisition cost (after tax)

In FY2015, net assets (J-GAAP) is ¥153.6 billion, MCEV is ¥700.0 billion, and adjusted net assets is ¥378.3 billion.

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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