

Progress of Mid-term Management Plan

November 24, 2016
Sompo Holdings, Inc.



Table of Contents

Summary	2	2-2. Domestic life insurance	
1. Group management		Progress of Himawari Life	16
Progress of mid-term management plan (1) – Group	4	Initiatives for growth	17
Progress of mid-term management plan (2) – Business	5	(Reference) Policies in force and product mix	18
Key points – review of Endurance	6	2-3. Nursing care & healthcare, etc.	
Key points – further growth with Endurance	7	Progress of nursing care & healthcare, etc.	19
Update of management targets	8	Strategy of nursing care business	20
Update of management targets – business portfolio	9	2-4. Overseas insurance	
Digital strategy	10	Progress of overseas insurance	21
(Reference) Numerical management targets, etc.	11	Global expansion	22
2. Business		History of overseas investment	23
2-1. Domestic P&C insurance		(Reference) Update of earnings plan by region	24
Progress of domestic P&C insurance	13	3. ERM & capital policy	
Combined ratio	14	ERM (Strategic Risk Management)	26
Direct business	15	Group’s asset management	27
		Shareholder return	28

Today's Points

- Mid-term management plan from this year made a steady start.
- Probability of achieving management targets in FY2018 has already increased through appropriate, timely capital policy, and overseas M&A.

Group strategy

- Mid-term management plan made steady start.
- We agreed to commence procedure on the acquisition of Endurance. Both earnings and ROE is assumed to improve.
- We upwardly revised target of adjusted consolidated profit in FY2018. (from ¥180 to 220 billion to ¥220 to 230 billion)

Business

- In domestic P&C insurance business, combined ratio held steady at a favorable level. We aim to improve profitability by enhancing business efficiency, etc.
- Domestic life insurance business steadily progressed in line with the plan. We have started new initiatives with the keyword of “health.”
- Nursing care & healthcare business saw steady progress on concrete measures although upfront costs for internal management were incurred.
- Organic growth in overseas insurance business was in line with the plan. We will focus on procedures on the acquisition of Endurance and PMI.

ERM & Capital policy

- Financial soundness improved due to steady reduction of strategic-holding stocks, issue of hybrid bonds, etc.
- We began to disclose ESR (99.5% VaR) in accordance with Solvency II as reference.
 - * It is estimated to be about 207%, reflecting the acquisition of Endurance.
- We seek to increase the total amount of shareholder returns. We determine the ratio of dividends to share buybacks based on market trends, etc.

1. Group management

2. Business

2-1. Domestic P&C insurance

2-2. Domestic life insurance

2-3. Nursing care & healthcare, etc.

2-4. Overseas insurance

3. ERM & capital policy

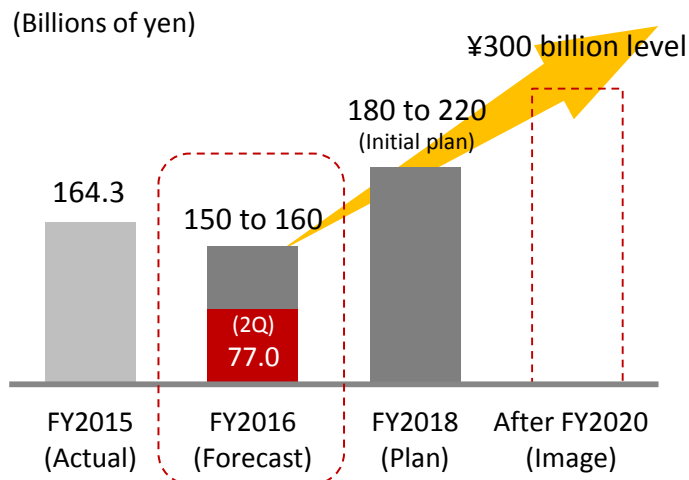
Progress of Mid-term Management Plan (1) – Group

- ◆ Mid-term management plan made steady start. Adjusted consolidated profit in 1H FY2016 was ¥77.0 billion and basically in line with the plan.
- ◆ M&A and other concrete measures are steadily progressing in order for us to be global top 10.

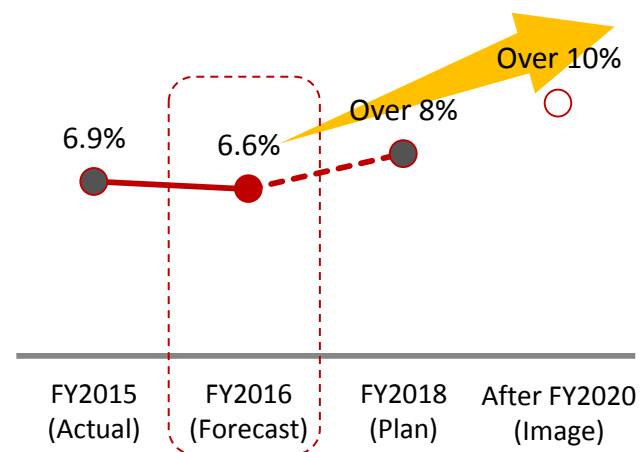
Targets of mid-term management plan initially disclosed in May 2016 (from FY2016 to FY2020)

	FY2018 initial plan	Our vision (after FY2020)
Adjusted consolidated profit	¥180 to 220 billion	To be global top 10 (¥300 billion level)
Adjusted consolidated ROE	Over 8%	Over 10%
Shareholder return	Enhance shareholder return in accordance with growth in adjusted consolidated profit and EPS.	

Adjusted consolidate profit



Adjusted consolidated ROE



Progress of Mid-term Management Plan (2) – Business

◆ Each business steadily progressed as planned. We aim at further growth of earnings and ROE.

Progress by business segment

Progress of adjusted profit (billions of yen)

Key points in 1H FY2016

	Progress of adjusted profit (billions of yen)			Key points in 1H FY2016
Domestic P&C insurance	111.9 FY2015 (Actual)	Over 114.0 (2Q) 57.1 FY2016 (Forecast)	Over 117.0 FY2018 (Plan)	<ul style="list-style-type: none"> Adjusted profit was in line with the plan. Combined ratio is trending firmly.
Domestic life insurance	30.4 FY2015 (Actual)	Over 23.0 (2Q) 14.1 FY2016 (Forecast)	Over 32.0 FY2018 (Plan)	<ul style="list-style-type: none"> Adjusted profit was in line with the plan. The business kept growing mainly in protection-type products.
Nursing care & healthcare, etc.	1.5 FY2015 (Actual)	Over -2.0 (2Q) -1.4 FY2016 (Forecast)	Over 8.0 FY2018 (Plan)	<ul style="list-style-type: none"> We focused on strengthening internal management and enhancing profitability in nursing care business.
Overseas insurance	18.7 FY2015 (Actual)	Over 15.0 (2Q) 7.1 FY2016 (Forecast)	Over 23.0 FY2018 (Plan)	<ul style="list-style-type: none"> Organic growth was basically in line with the plan. We commenced procedure on the acquisition of Endurance.

Key points – Review of Endurance

- ◆ Agreed with Endurance to commence procedures on the acquisition of it. (assuming earnings contribution after FY2017)
- ◆ Plan to achieve optimization of business base in developed countries through PMI.

Overview of the transaction



- We agreed with Endurance to commence procedures on the acquisition of it in October 5, 2016.
- Total consideration is \$6,304 million (about ¥637.5 billion) , and PBR is 1.36x.
- Closing (100% acquisition) is expected around February 2017 or later. (Earnings contribution would be from FY2017 if the deal is closed as planned.)
- Our financial soundness has no issues after the acquisition. So does group ratings currently.

Effect of making Endurance our group company

- Group’s ROE and profit will improve after earnings contribution.
- We assume positive impact on shareholder return.

Adjusted consolidated ROE <u>Around + 1 point</u>	Adjusted consolidated profit <u>Around + ¥40 bn.</u>	Adjusted EPS <u>Around +¥100</u>
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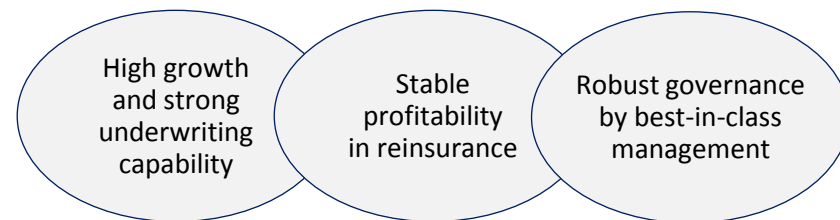
Truly integrated global insurance platform

*Above figures are assumed impacts in FY2018.

Financial rating of
Sompo Japan Nipponkoa

Standard & Poor’s	A+ (Stable)
Moody’s	A1 (Stable)
R&I	AA- (Positive)
JCR	AA+ (Stable)
A.M. Best	A+ (Stable)

Strengths of Endurance



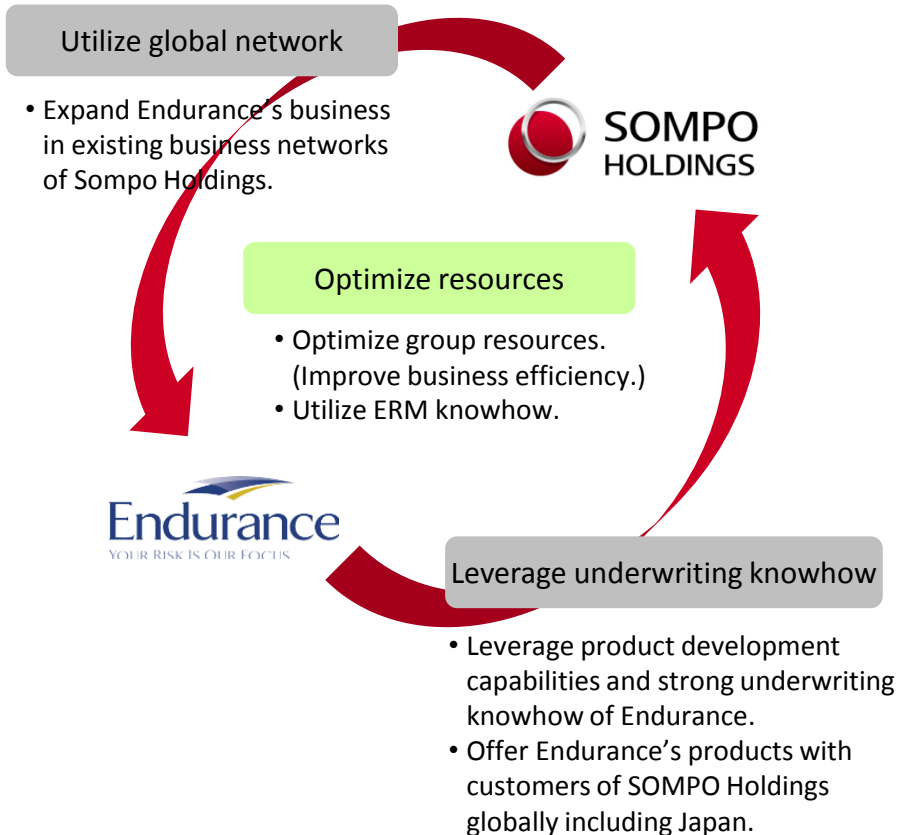
* Gross premium is ¥335.9 billion level.
\$1 = ¥101.12 as of the end of September 2016

Key points – Further Growth with Endurance

◆ Mutually utilize strengths in underwriting and aim at further growth by optimizing resources.

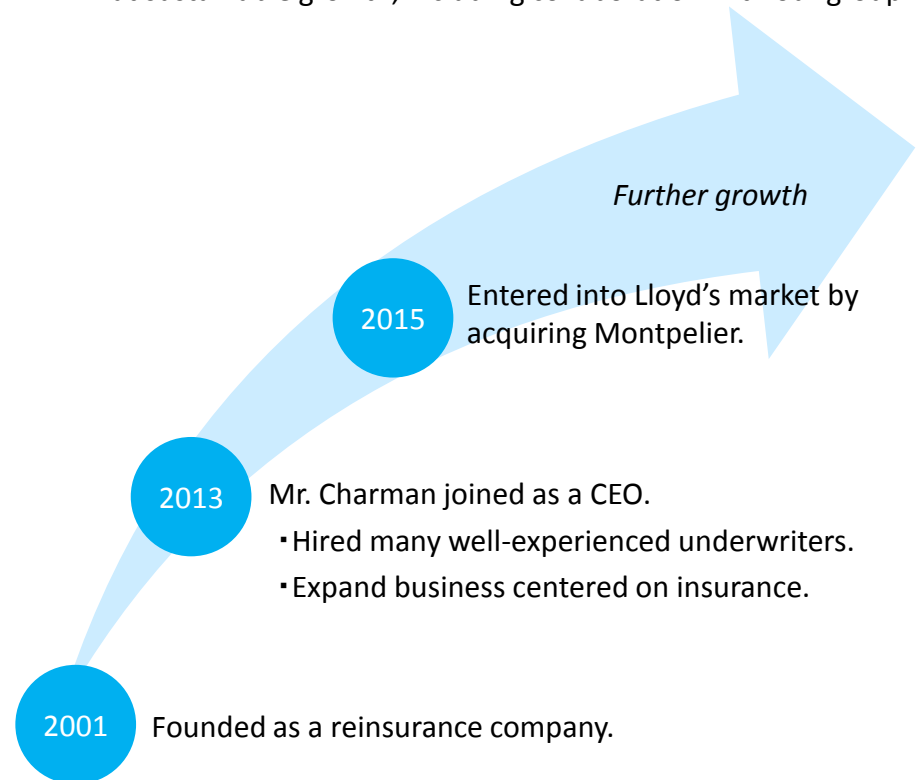
Growth opportunities

Progress closing procedures, and PMI for growth.



Growth of Endurance

After 2013, expand business while improve risk diversification. Aim at sustainable growth, including collaboration with our group.

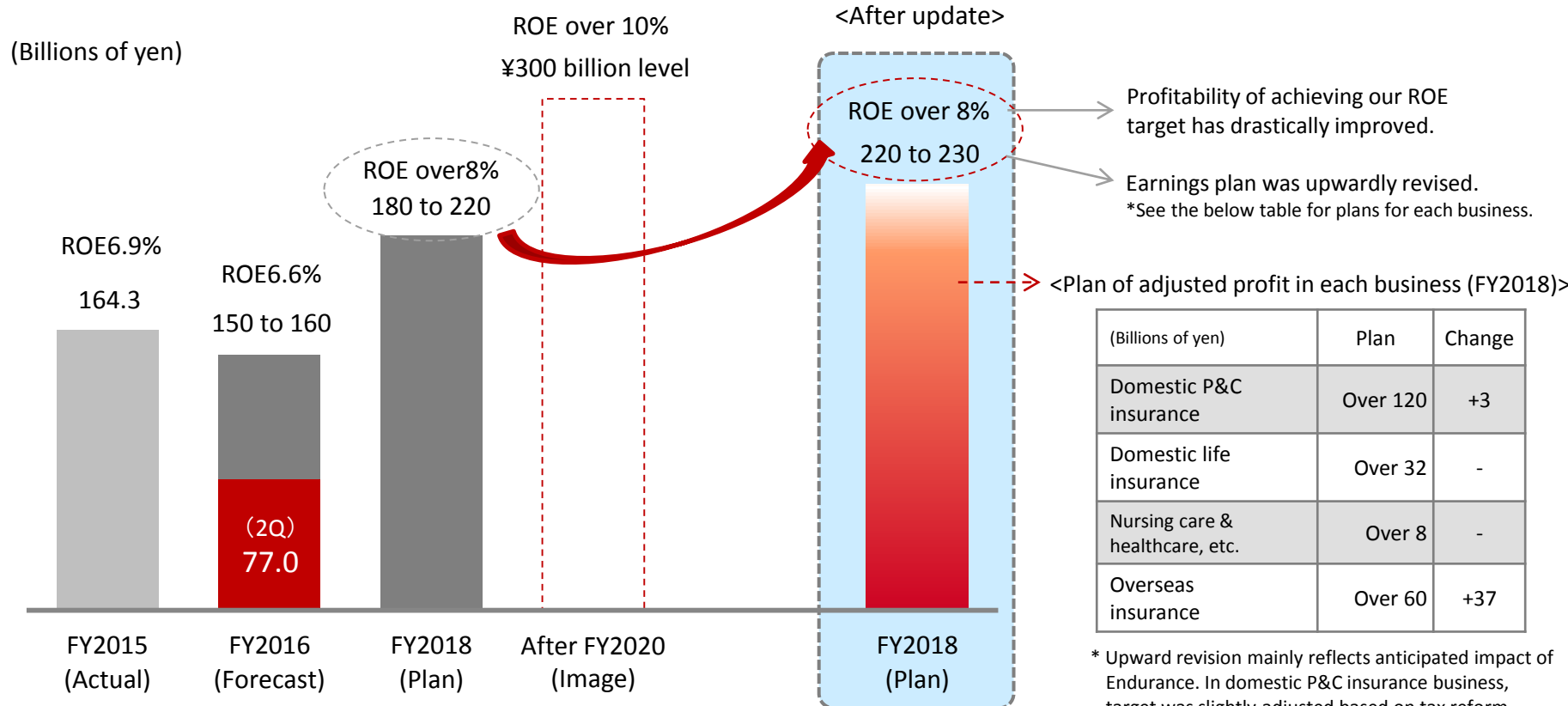


Update of Management Targets

◆ Upwardly revised target of adjusted consolidated profit in FY2018 based on current environment.

Update of targets

<Adjusted consolidated profit and adjusted consolidated ROE>
(disclosed in May 2016)



(Billions of yen)	Plan	Change
Domestic P&C insurance	Over 120	+3
Domestic life insurance	Over 32	-
Nursing care & healthcare, etc.	Over 8	-
Overseas insurance	Over 60	+37

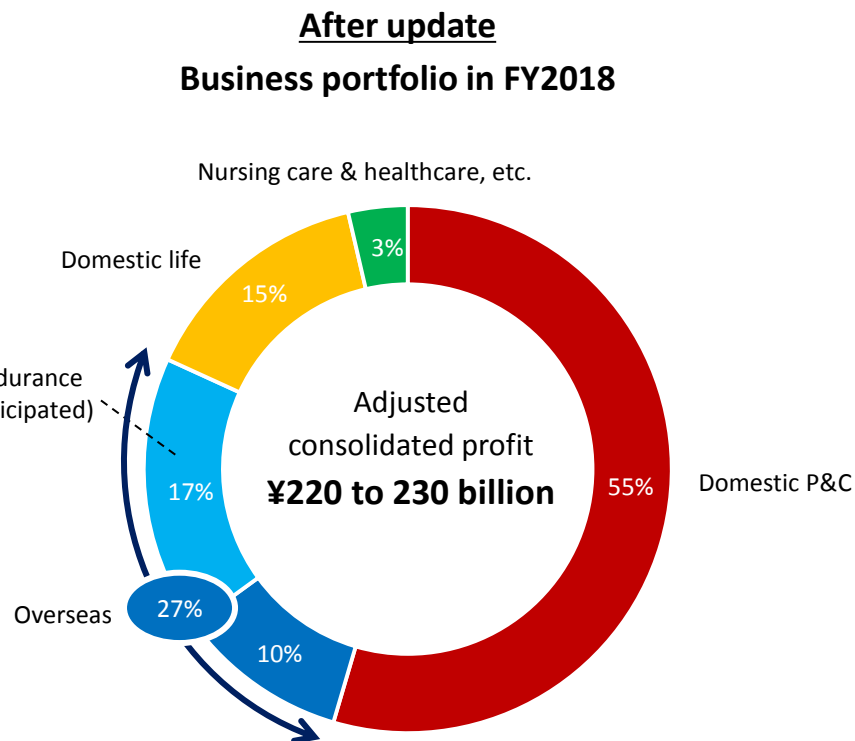
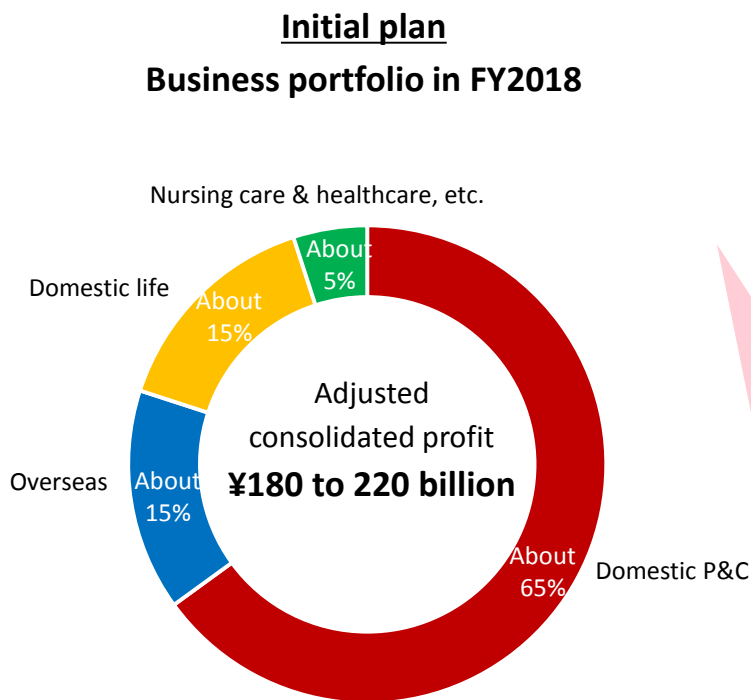
* Upward revision mainly reflects anticipated impact of Endurance. In domestic P&C insurance business, target was slightly adjusted based on tax reform schedule.

Update of Management Targets – Business portfolio

◆ Reform of business portfolio will progress, which improve risk and geographic diversification.

Business portfolio (plan)

Optimization of business portfolio will progress through management strategy that enhance capital efficiency.



Digital Strategy

◆ Initiated digital strategies to drive business efficiency and sustainable growth while fostering organic collaboration between Silicon Valley and each business segment.

Utilization of digital technologies

SOMPO Digital Lab

Accelerate networking with innovative digital companies mainly in Silicon Valley.

Cloud & Big data

- P&C** Provide telematics service "Smiling Road"
- Life** Utilize Fitbit's wearable devices for product development



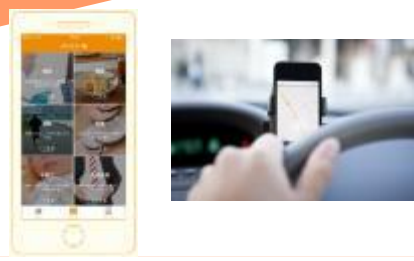
ICT in nursing care

- Nursing** Consider to introduce digital recording and sensors



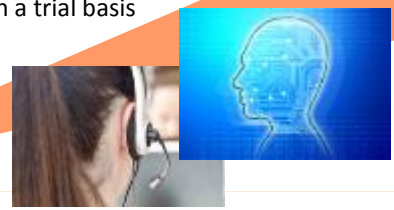
Customer contact

- P&C** Support safety driving by "Portable Smiling Road"
- Life** Provide health information app "Linkx Siru"



Artificial Intelligent

- P&C** Introduce AI in call centers and claim handling divisions on a trial basis



Establish new business model

(Reference) Numerical Management Targets, etc.

Numerical management targets (after update as for FY2018 figures)

(Billions of yen)	FY2015	FY2016		FY2018
	(Actual)	(1H actual)	(FY forecast)	(Plan)
Domestic P&C insurance* ¹	111.9	57.1	Over 114.0	Over 120.0
Domestic life insurance	30.4	14.1	Over 23.0	Over 32.0
Nursing care & healthcare, etc.	1.5	-1.4	Over -2.0	Over 8.0
Overseas insurance	20.4	7.1	Over 15.0	Over 60.0
Total (Adjusted consolidated profit)	164.3	77.0	150.0 – 160.0	220.0 – 230.0
Adjusted consolidated ROE*²	6.9%	-	6.6%	Over 8%
(Reference) ROE (J-GAAP)	9.2%	-	8.7%	Around 10% level

Definition of adjusted profit

Domestic P&C insurance

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)

Domestic life insurance

Net income
 + Provision of contingency reserve (after tax)
 + Provision of reserve for price fluctuation (after tax)
 + Adjustment of underwriting reserve (after tax)
 + Deferral of acquisition cost (after tax)
 – Depreciation of acquisition cost (after tax)

Nursing care & healthcare, etc.

Net income

Overseas insurance

Net income
 (including major non-consolidated subsidiaries)

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

*2 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 net assets = 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
 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)

1. Group management

2. Business

2-1. Domestic P&C insurance

2-2. Domestic life insurance

2-3. Nursing care & healthcare, etc.

2-4. Overseas insurance

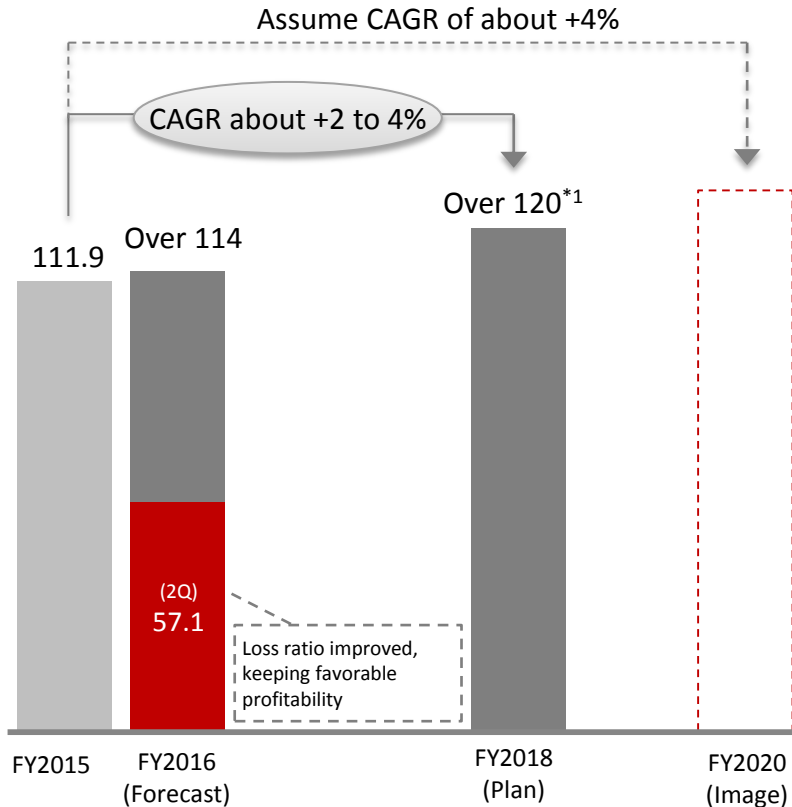
3. ERM & capital policy

Progress of Domestic P&C Insurance

- ◆ Domestic P&C insurance business made steady start against mid-term management plan.
- ◆ We upwardly revised plan for adjusted profit in FY2018, and aim at further growth with quality.

Plan for adjusted profit

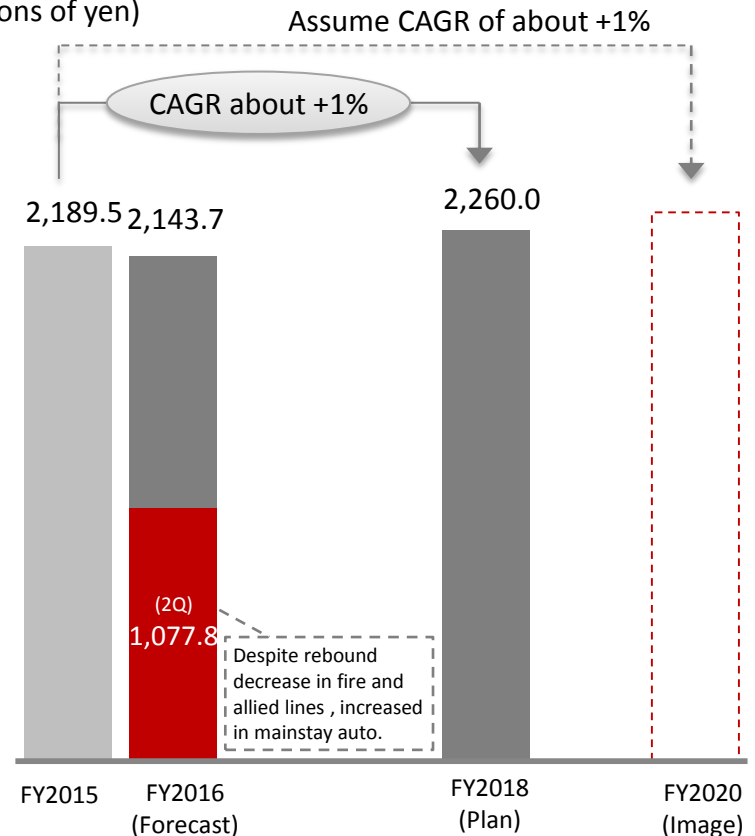
(Billions of yen)



*1 Slightly adjusted based on tax reform schedule.

Net premiums written (Sompo Japan Nipponkoa)*2

(Billions of yen)

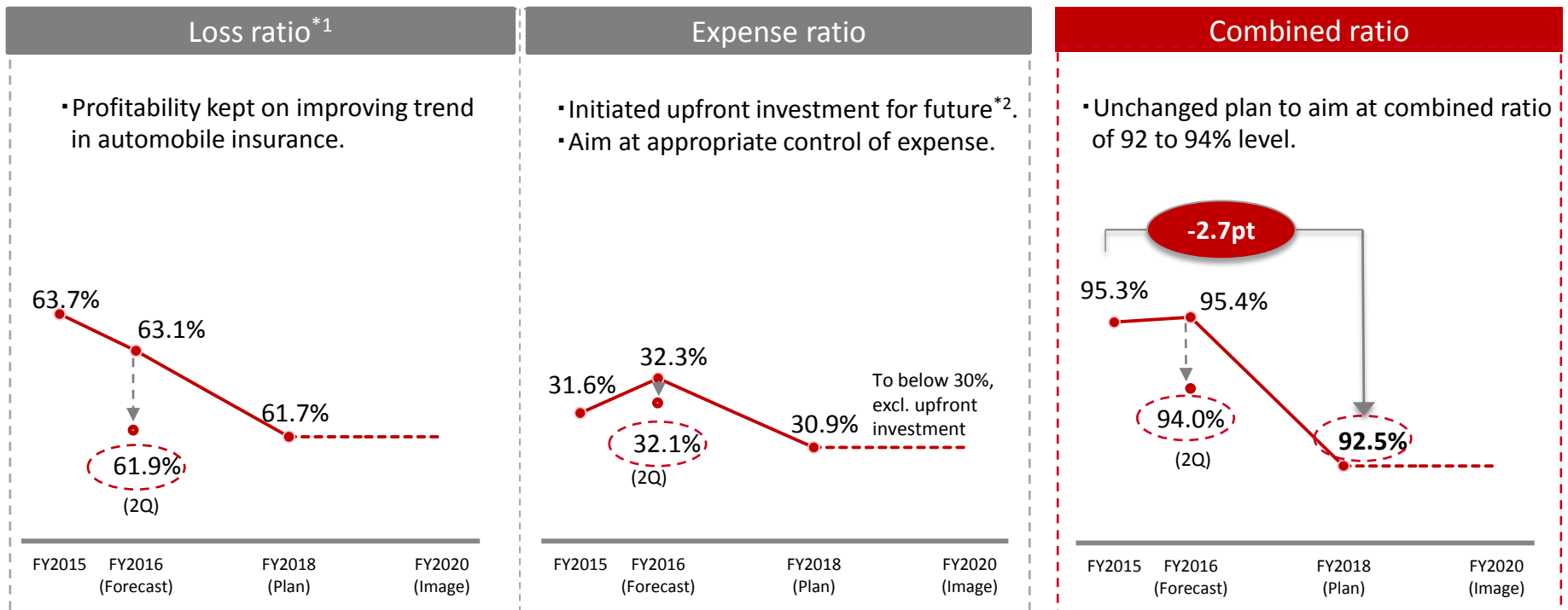


*2 Net premiums written do not include assumed reinsurance premiums transferred to Sompo Japan Canopus Re (about ¥30 billion).

Combined Ratio

- ◆ Made steady start against the plan.
- ◆ Aim to maintain and improve profitability by controlling expense appropriately.

Combined ratio (Sompo Japan Nipponkoa)



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

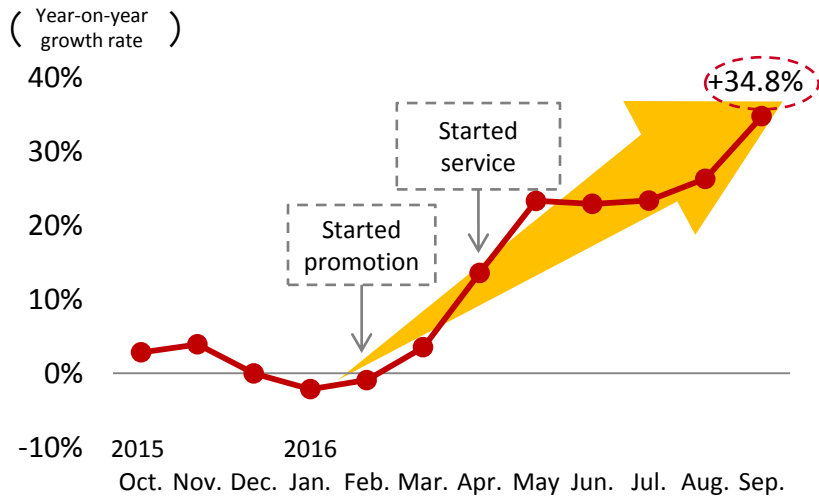
*2 We spend ¥7.1 billion for upfront investment by 1H FY2016 against annual plan of ¥12 billion.

Direct Business

- ◆ New policies are currently increasing by around 30% due to proactive launch of new services.
- ◆ The number of policies in force steadily increased.

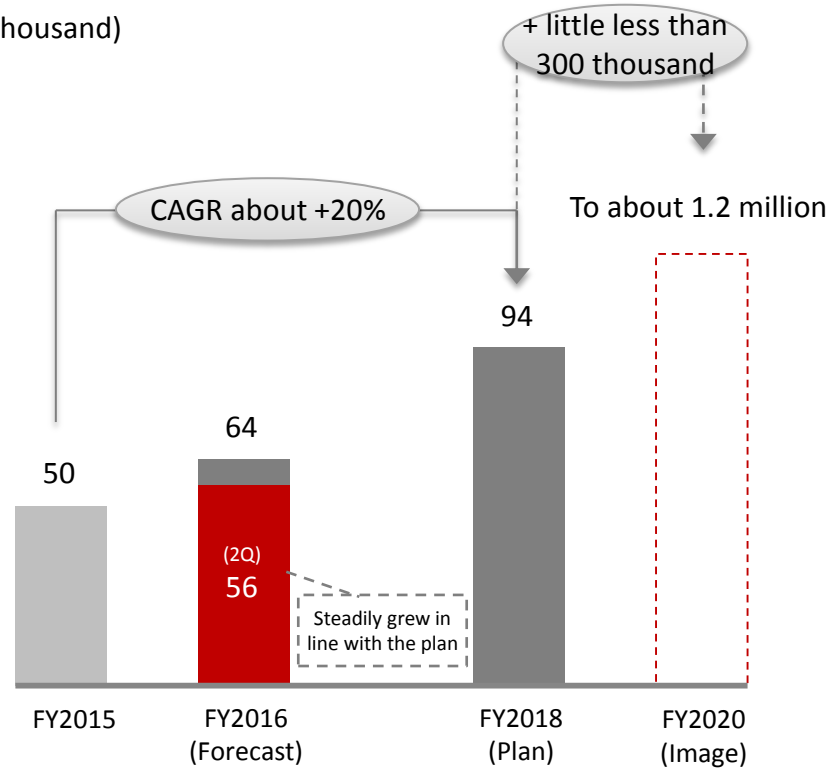
Growth rate of new policies of “Otona no Jidosha Hoken”

- New policies recently increased by 30% *164 thousand in FY2015
- Enhanced peace of mind and other benefits for customers by launching “ALSOK reliable accident site support service”



Policies in force of “Otona no Jidosha Hoken”

(10 thousand)

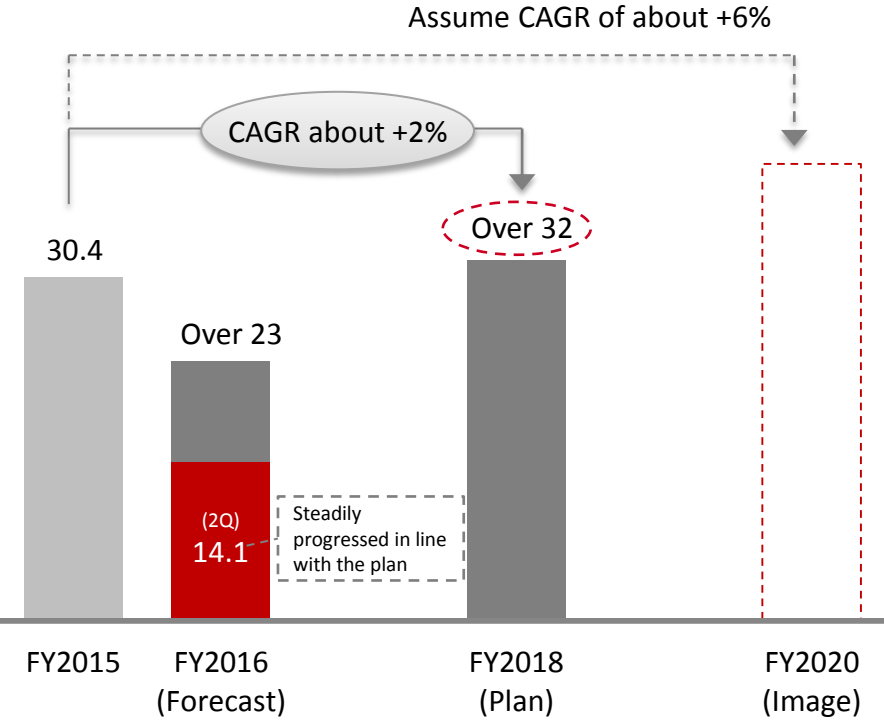


Progress of Himawari Life

◆ Adjusted profit expanded in line with the plan through sustainable growth of policies in force.

Plan for adjusted profit

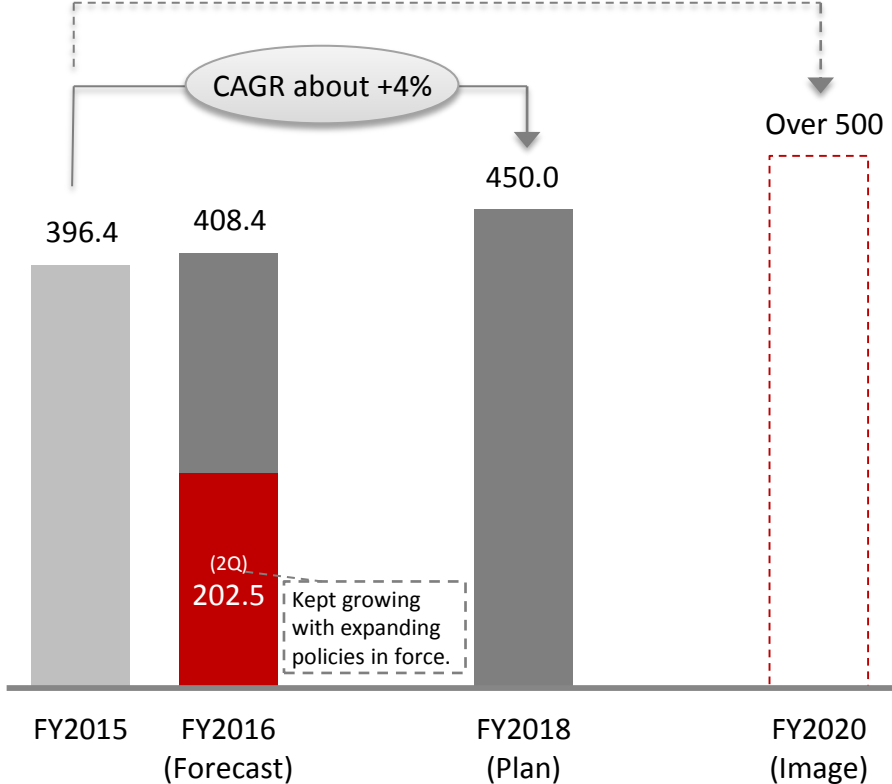
(Billions of yen)



Premium and other income

(Billions of yen)

Assume CAGR of about +5%



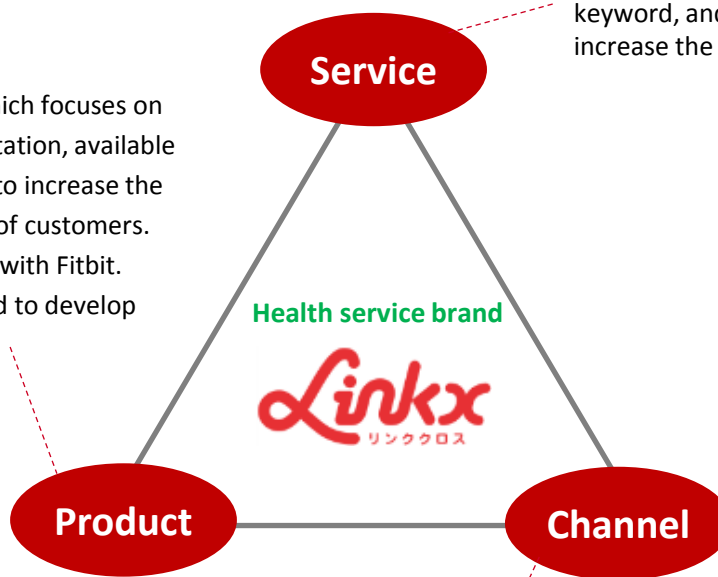
Initiatives for Growth

- ◆ Aim to evolve into a health support enterprise by going beyond boundaries of “insurance.”
- ◆ Increase the number of customers and earnings in the future through new business model.

New business model

Accelerate growth strategy based on health service brand “Linkx (Link-cross)” by going beyond boundaries of insurance.

- In September, launched Linkx Coins, which focuses on advanced medical and organ transplantation, available with a monthly premium of ¥500. Aim to increase the number of policies by capturing needs of customers.
- In February, entered into a partnership with Fitbit. Proactively use biometric data collected to develop products in the future.



Successively expanded services centered with health as the keyword, and launched health-related app “Linkx Siru” to increase the number of customers in October.

* Linkx siru image of app

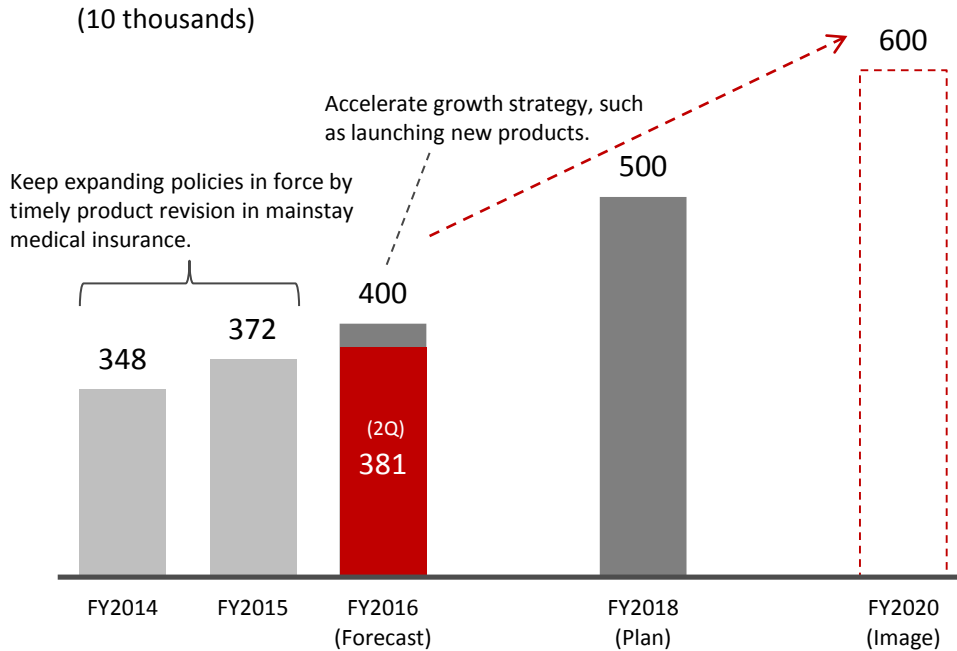


Establish system where high-quality sales representatives support customers who are connected with through our products and services.

(Reference) Policies in Force and Product Mix

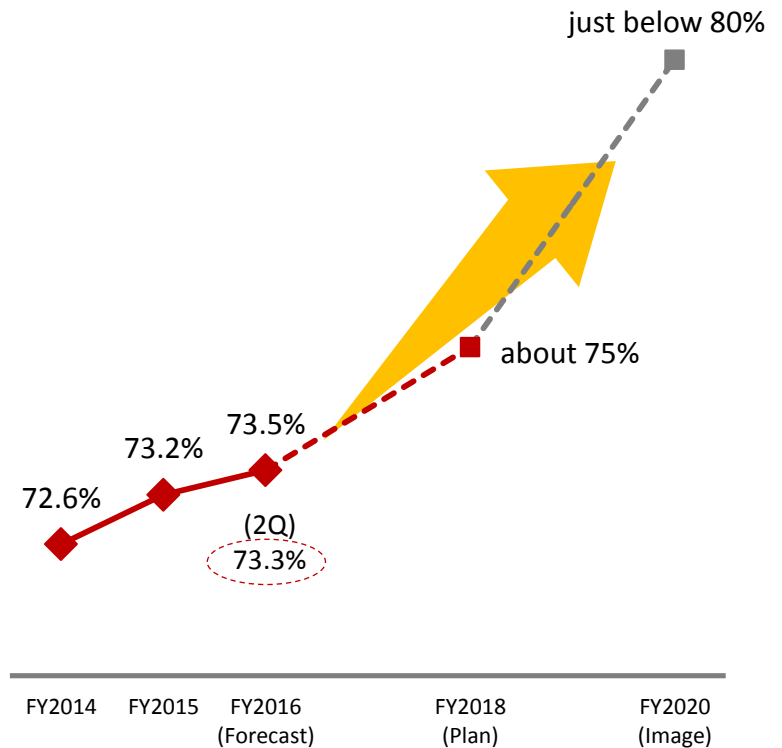
The number of policies in force

Steadily increased the number of policies in force by executing strategy based on protection-type products focused on medical insurance, with health as the keyword.



Weight of protection-type products

Weight of protection-type is already high level, and plan to keep raising it to improve profitability.

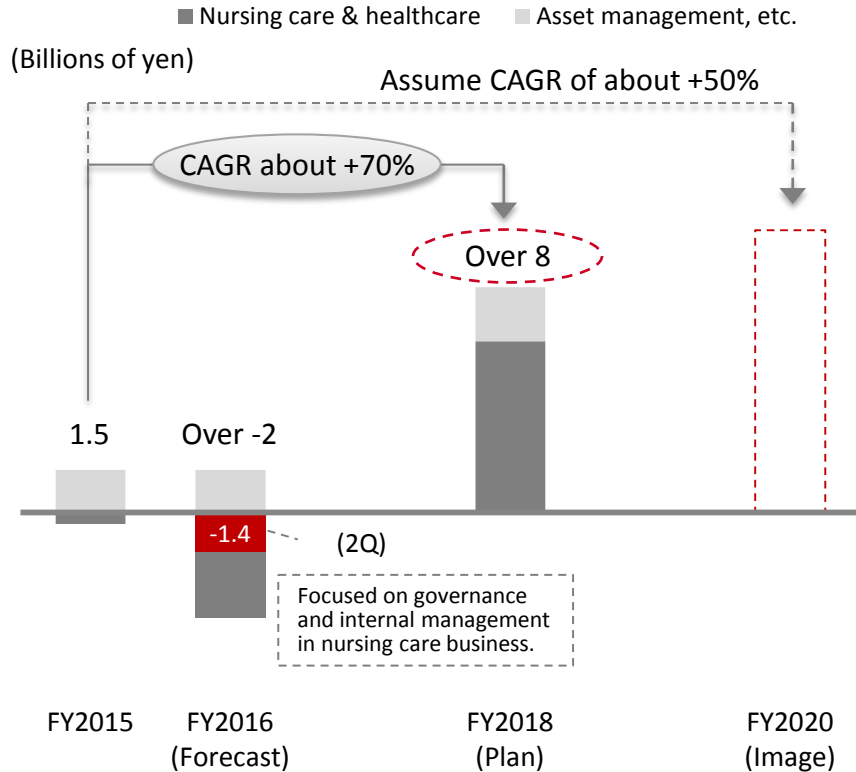


* Based on the number of policies in force.

Progress of Nursing Care & Healthcare, etc.

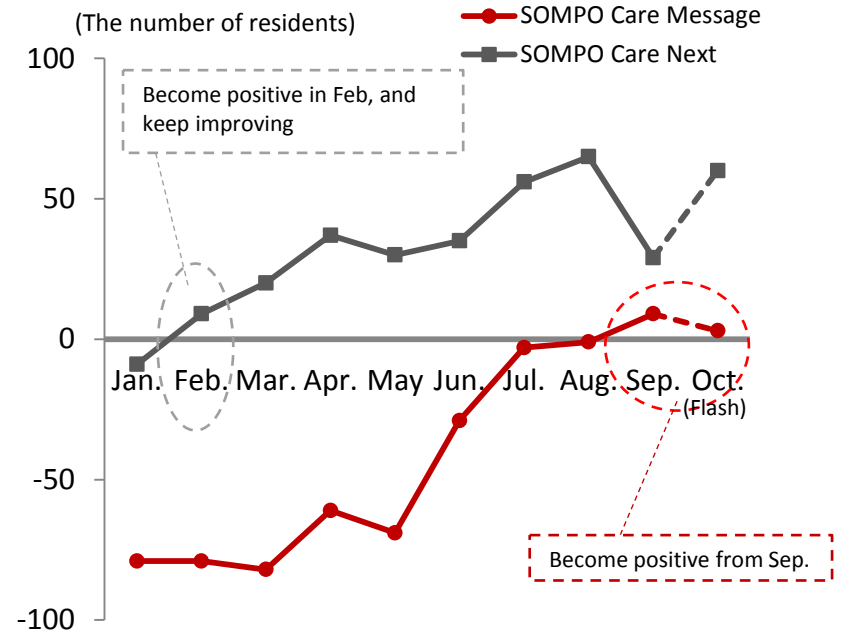
◆ Focused on internal management in nursing care business, and steadily progressed concrete measures to improve profitability.

Plan for adjusted profit



Inflow – Outflow of residents (2016)

Shifting to a trend where inflow of residents exceeded outflow in specific facilities.



* Nursing care business is the sum of SOMPO Care Message, SOMPO Care Next, Cedar (non-consolidated), and Somp Risk Management & Health Care.

* Aggregating only specific facilities, such as pay nursing homes with long-term care.

Strategy of Nursing Care Business

◆ Differentiate business model primarily by developing human resources and harnessing ICT, and aim to double the number of users in the future.

Direction to be achieved

Operation based on basic policy

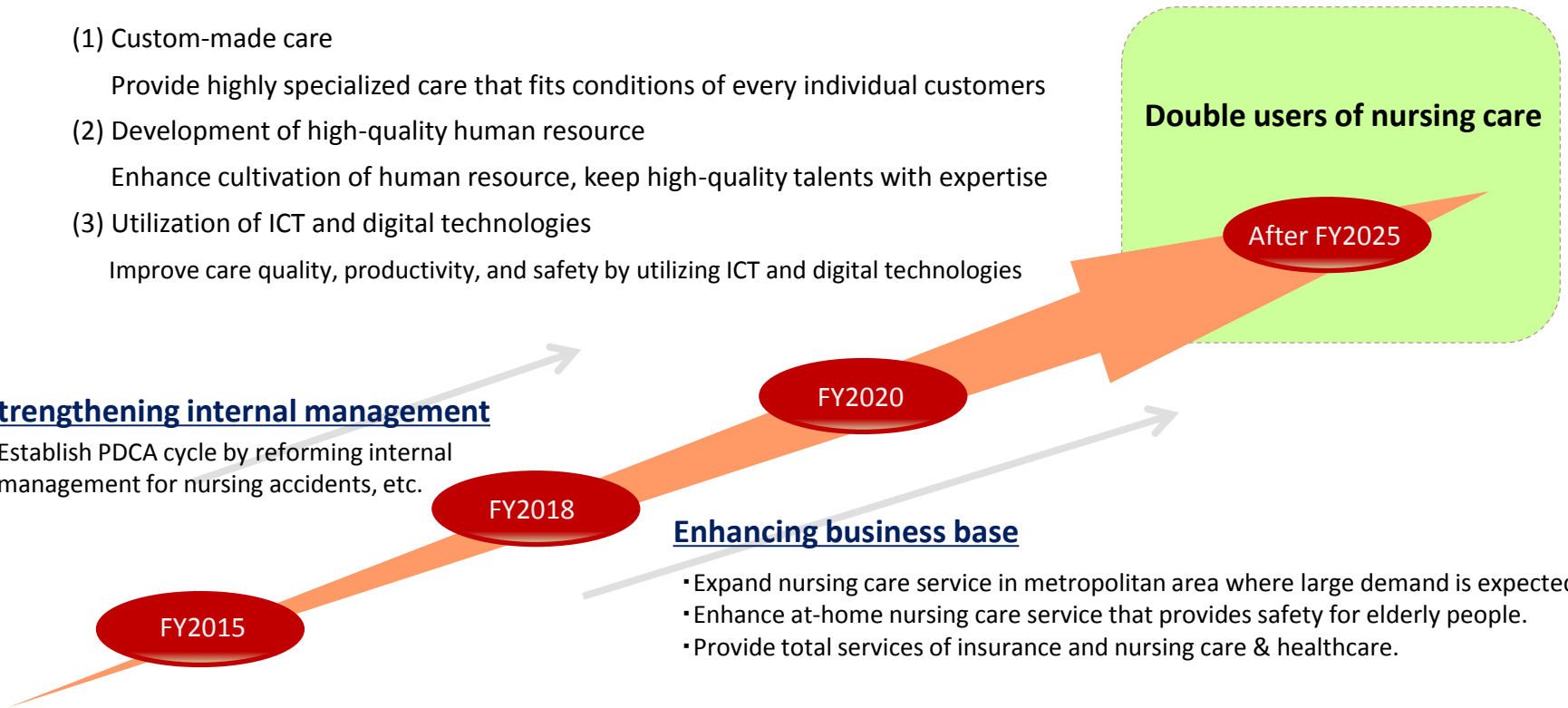
- (1) Custom-made care
Provide highly specialized care that fits conditions of every individual customers
- (2) Development of high-quality human resource
Enhance cultivation of human resource, keep high-quality talents with expertise
- (3) Utilization of ICT and digital technologies
Improve care quality, productivity, and safety by utilizing ICT and digital technologies

Strengthening internal management

Establish PDCA cycle by reforming internal management for nursing accidents, etc.

Enhancing business base

- Expand nursing care service in metropolitan area where large demand is expected.
- Enhance at-home nursing care service that provides safety for elderly people.
- Provide total services of insurance and nursing care & healthcare.

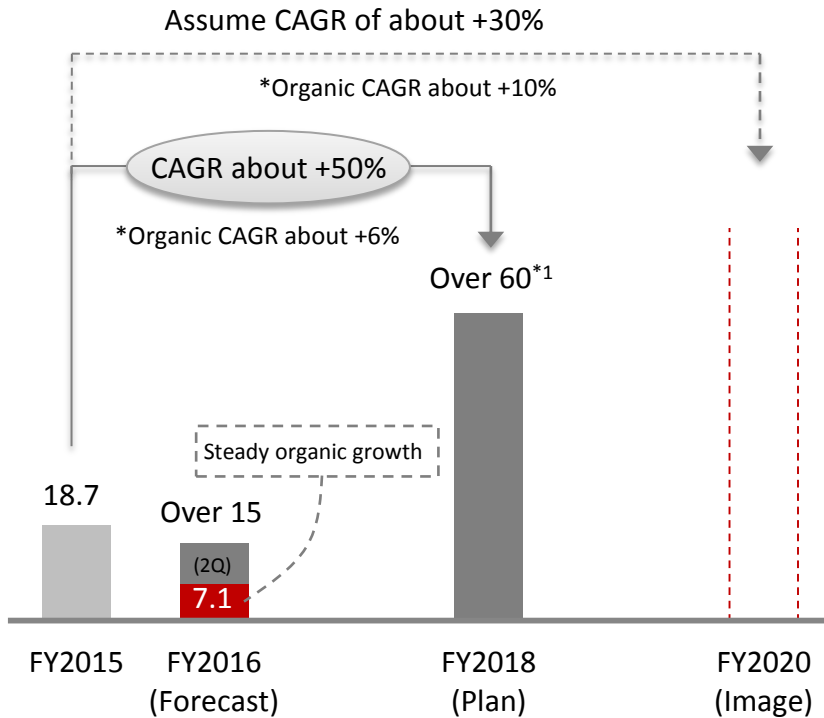


Progress of Overseas Insurance

- ◆ Overseas insurance business made steady start against the plan.
- ◆ We can expand top-line and bottom-line further if closing procedures on the acquisition of Endurance as planned.

Plan for adjusted profit

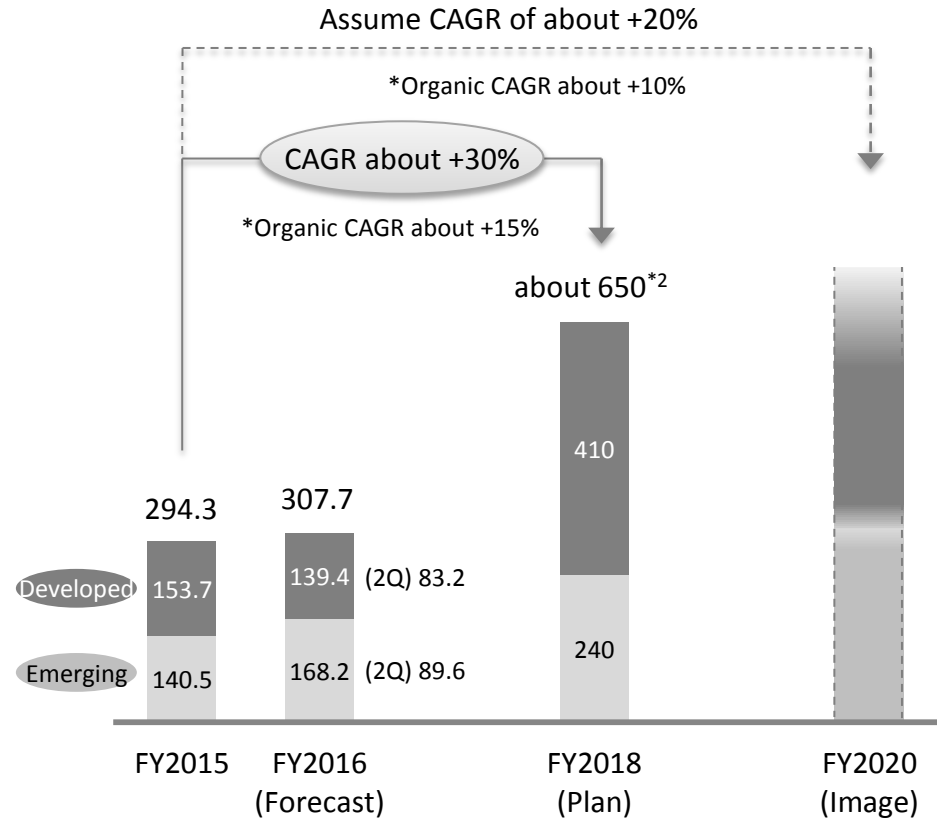
(Billions of yen)



*1 Assume earnings contribution of around ¥40 billion from Endurance.

Premiums

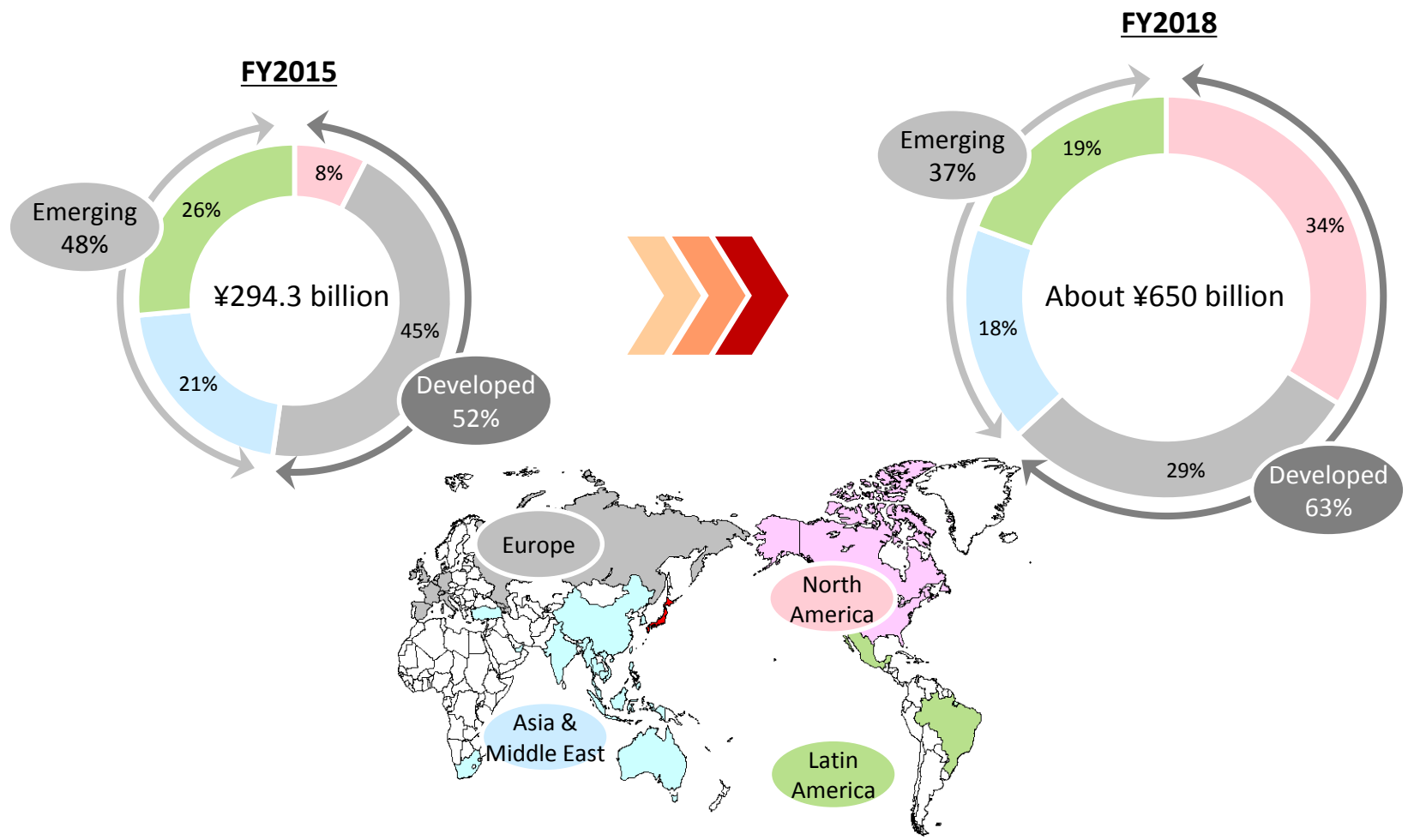
(Billions of yen)



*2 Simply add actual premium of Endurance in FY2015 of around ¥200 billion.

◆ Weight of developed countries exceeds 60%, and global geographical diversification improves.

Premiums by region



◆ To be a truly globalized insurance group through steady organic growth and disciplined M&As.

Locus of growth in overseas insurance business

Overseas insurance business proceeds step by step and keeps evolving in a planned way to improve capital efficiency and strengthen resilience in uncertain era.

2010 onward

Strategic move to benefit from growth in emerging countries

- Captured growth in Asia & Middle East, etc. over medium to long term.

May 2010	Tenet (Singapore)	¥6.4 bn.
Nov. 2010	Sigorta (Turkey)	¥27.4 bn.
Jun. 2011	Berjaya (Malaysia)	¥17.0 bn.
Jun. 2013	Maritima (Brazil)	¥25.1 bn.

2014 onward

Entry into developed market & first step for globalization

- Entered into developed market, which has large scale of insurance business.
- Cultivated talents for overseas business, and improved experience for PMI.

May 2014 Canopus (UK) ¥104.7 bn.

2017 onward

To be a truly globalized insurance group

- Grow to be a global top 10 player.
- Establish cycle for sustainable growth by sophisticating overseas governance and improving risk and geographic diversification.

2017 (Plan)

Endurance (US, Bermuda)

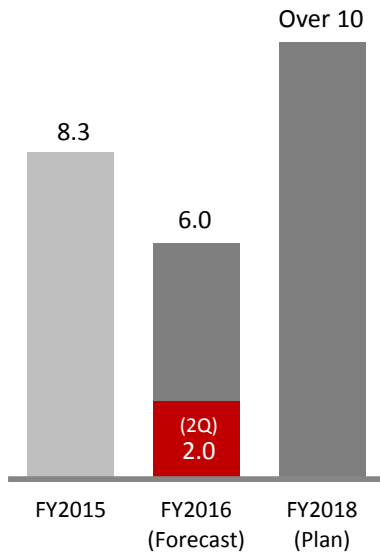
- ◆ Investigate and execute disciplined, selective M&As.
- ◆ Strengthen financial base by reducing strategic-holding stocks, controlling risk of natural disasters, etc.

Net income by region

(Billions of yen)

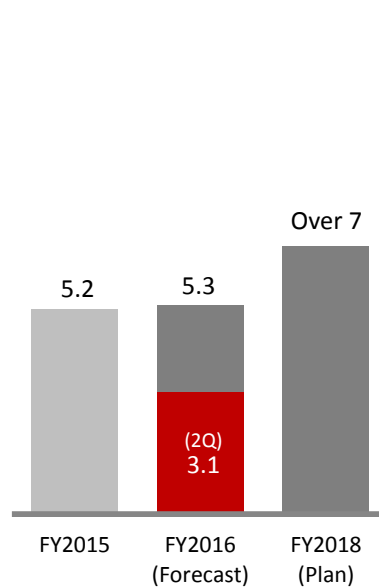
Europe

- In line with the plan despite impact of large losses.
- Plan to expand mainly in corporate area, such as specialty.



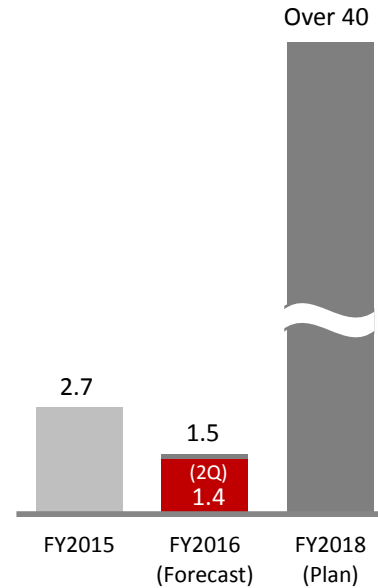
Asia & Middle East

- Compulsory auto in SJ Sigorta (Turkey) contributed to earnings growth.
- Aim at further growth through alliance with CIMB, etc.



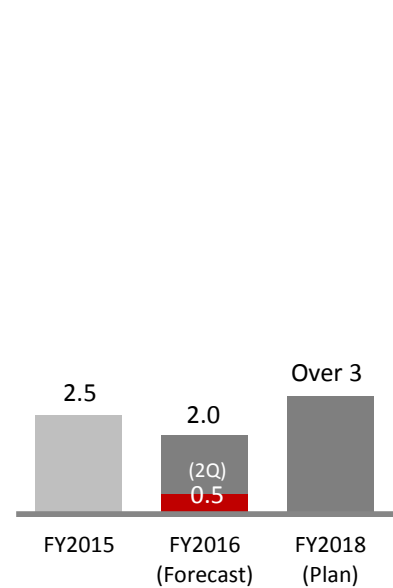
North America

- Loss ratio was favorable in FY2016.
- Assume contribution from Endurance.



Latin America

- Benefits of underwriting optimization began to appear.
- Aim to expand mainly in retail area, such as automobile.



1. Group management

2. Business

2-1. Domestic P&C insurance

2-2. Domestic life insurance

2-3. Nursing care & healthcare, etc.

2-4. Overseas insurance

3. ERM & capital policy

ERM (Strategic Risk Management)

- ◆ Kept conducting through ERM (Strategic Risk Management) to maximize corporate value.
- ◆ Started disclosing ESR (99.5% VaR) in accordance with Solvency II for global comparison as reference.

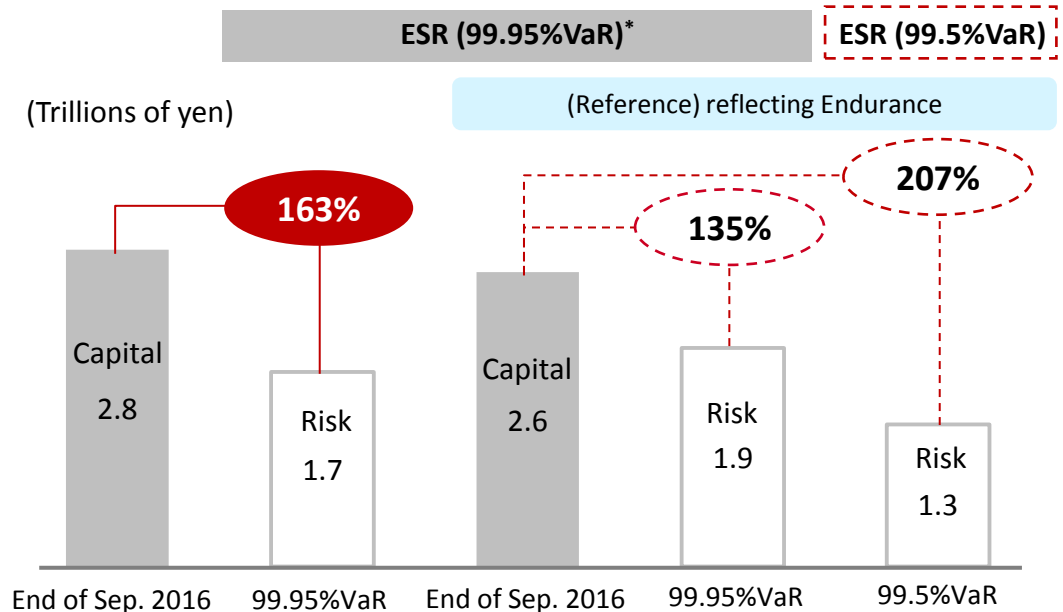
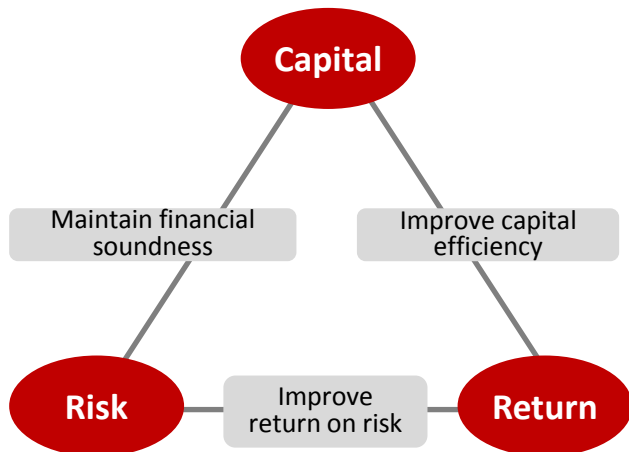
Capital policy based on ERM framework

- Keep improving quality of capital, and aim at capital policy that actively enhance return.
- Progress initiatives improving capital efficiency, such as continual reduction of strategic-holding stocks, control of natural catastrophe risks, and M&A strategy.

ESR (end of September 2016)

- Adopt more conservative capital control than Solvency II (use 99.95% VaR to calculate risk amount).
- Disclose ESR in accordance with Solvency II (99.5% VaR) as reference.
- No issues for financial soundness.

<Our ERM framework>



* Target range of ESR (99.95%VaR) is around from 120% to 170%

Group's Asset Management

◆ Unchanged basic policy of 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.

Group's asset management

<Amount of investment assets (trillions of yen, end of September 2016, group-wide basis)>

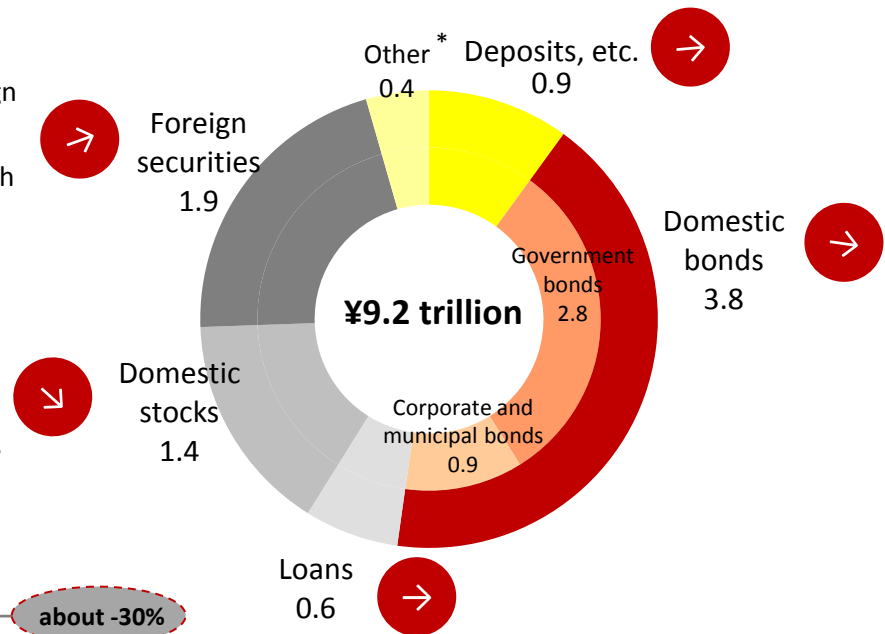
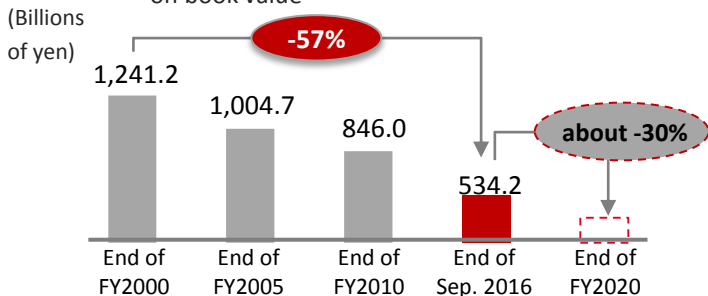
Measures for low interest rate

- Diversify investments, such as foreign currency assets.
- Sophisticate asset management, such as growth investment.

Reduction of strategic-holding stocks

- Unchanged policy to reduce ¥100 billion per annum constantly.

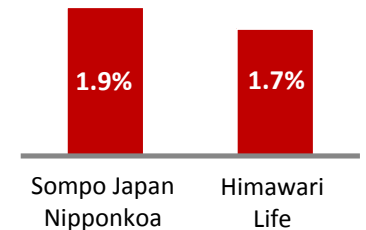
(Reference) Balance of strategic-holding stocks on book value



ALM

- Keep stable profit through duration matching.

(Reference) Income yield

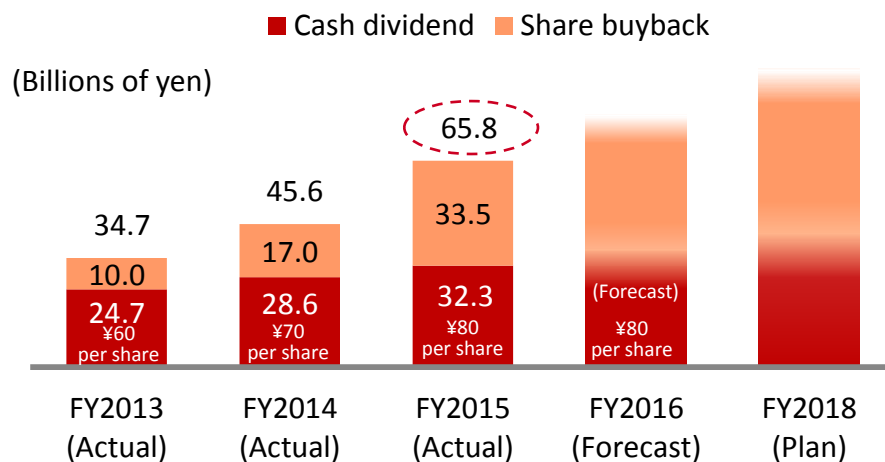


* Other includes lands, buildings and stocks of non-consolidated subsidiaries, etc.

Shareholder Return

- ◆ Unchanged plan to increase total shareholder return (cash dividend and share buyback), based on growth of adjusted consolidated profit.
- ◆ Aim at sustainable growth of shareholder return going forward, including effect of M&A.

Actual and plan



(Reference) Policy of shareholder return: unchanged

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

<Total payout ratio *3>

It is possible that we consider additional share buyback when there is capital surplus, considering ROE level.

Around 50%

Target over medium term

It is possible that we adjust total payout ratio in a single year when we conduct huge M&A, considering capital level or financial ratings.*4

Fund for return	15.8	90.8	132.0	150 to 160	220 to 230
(Total payout ratio)	(220%)	(50%)	(50%)		
Total shareholder return yield	3.2%	3.0%	5.1%		

*1 Changed to include adjusted profit of domestic life insurance business from FY2016.

*2 Total shareholder return yield = (Cash dividend + Share buyback) / Market cap. as of end of FY

*3 Total payout ratio = (Cash dividend + Share buyback) / Adjusted consolidated profit

*4 Not plan to lower total payout ratio below 30% in a single year.

Disclaimer

The information in this presentation is subject to change without prior notice. Financial data included in this presentation relating to Endurance Specialty Holdings Ltd. (“Endurance”) is based on its public filings with the United States Securities and Exchange Commission. Statements contained in this presentation that relate to the future operating performance of Sompo Holdings, Inc. (the “Company”) or other future events, transactions or conditions are forward-looking statements. Forward-looking statements may include – but are not limited to – words such as “believe,” “anticipate,” “plan,” “strategy,” “expect,” “forecast,” “predict,” “possibility” and similar words that describe future operating activities, business performance, events or conditions. Forward-looking statements relating to the transaction involving the Company and Endurance include, but are not limited to: statements about the anticipated benefits of the transaction, including future financial and operating results; the Company’s plans, objectives, expectations and intentions; the expected timing of completion of the transaction; and other statements relating to the transaction that are not historical facts.

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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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