



**SOMPO  
HOLDINGS**

Innovation for Wellbeing

Version of August 2017

# Topics & Basics

August 2017  
Sompo Holdings, Inc.



# 1. Mid-term management plan

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(1) Key points of management plan

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# Targets of Mid-term Management Plan

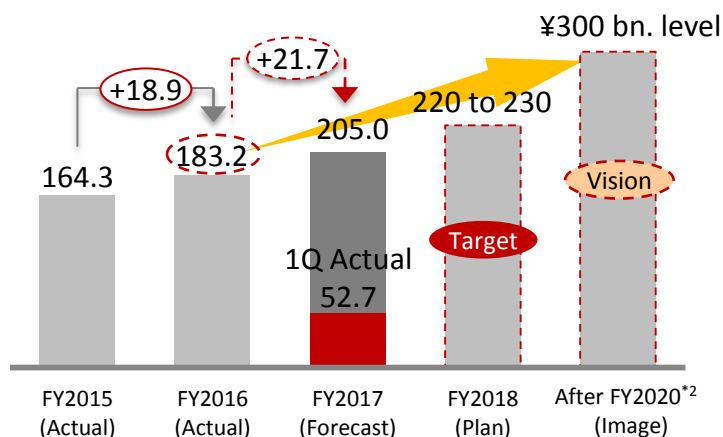
- ◆ Mid-term management plan made steady start.
- ◆ We embody our management philosophy to provide the highest quality services that contribute to our customers' security, health, and wellbeing, and we aim to increase earnings and improve ROE further.

## Targets of mid-term management plan (from FY2016 to FY2020)

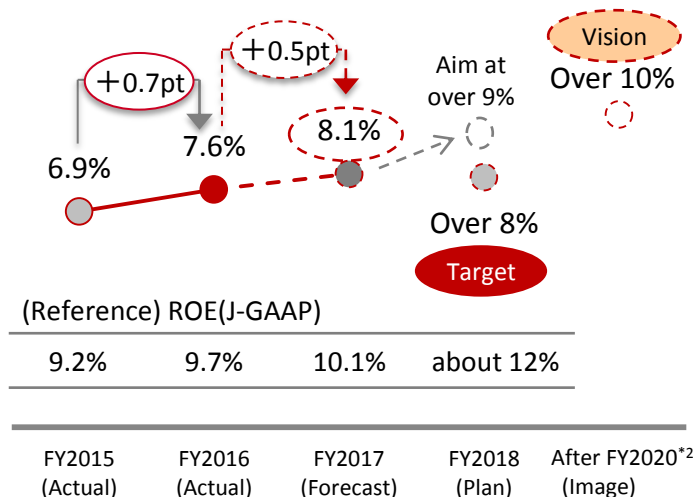
	Targets in FY2018	Our vision (after FY2020) <sup>*2</sup>
Adjusted consolidated profit <sup>*1</sup>	¥220 to 230 billion	To be global top 10 (¥300 billion level)
Adjusted consolidated ROE <sup>*1</sup>	Over 8%	Over 10%
Shareholder return	Enhance shareholder return in accordance with growth in adjusted consolidated profit and EPS.	

### Adjusted consolidated profit<sup>\*1</sup>

(Billions of yen)



### Adjusted consolidated ROE<sup>\*1</sup>



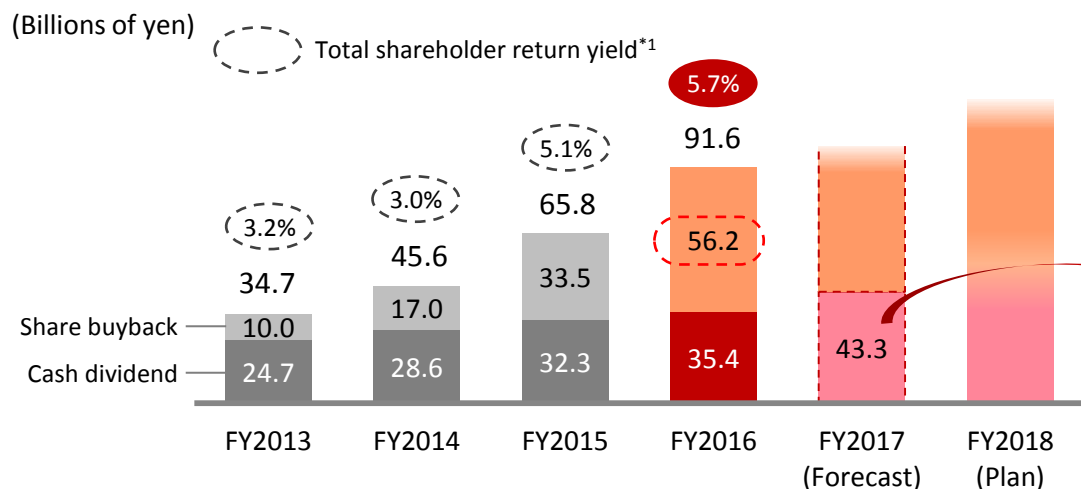
<sup>\*1</sup> See page 6 for definitions of adjusted consolidated profit and adjusted consolidated ROE.

<sup>\*2</sup> We will set targets in FY2020 by FY2018 based on our vision, etc.

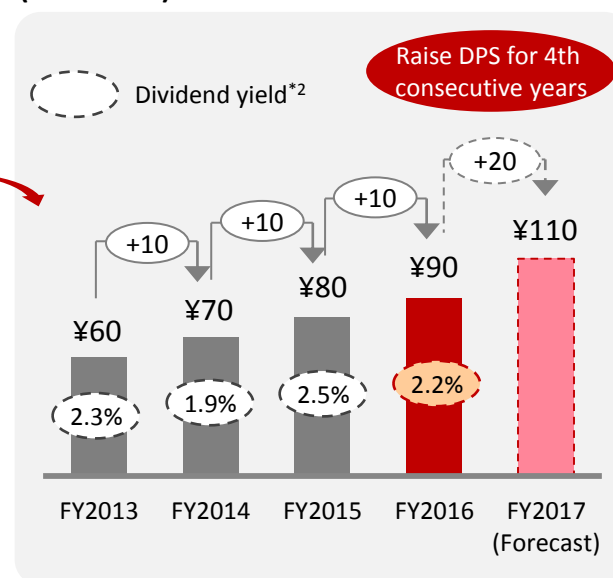
# Shareholder Return

- ◆ Based on growth of adjusted consolidated profit, realized proactive shareholder return.
- ◆ Considering dividend yield in relative terms, expectation from the market, etc., decided to raise DPS for the fourth consecutive years. Share buyback is ¥56.2 billion in FY2016.

## History of shareholder returns



### (Reference) DPS



Adjusted consolidated profit	15.8	90.8	132.0	183.2	205.0	220 to 230
Total payout ratio*3	220%	50%	50%	50%	—	—
(Reference) share price (End of fiscal year)	¥2,652	¥3,735	¥3,188	¥4,079	—	—

### Shareholder return policy

Total payout ratio of 50% over medium term.

\* Determine balance of dividends and share buybacks based on relative level of dividend yield, share price, etc.

\*1 Total shareholder return yield = (Cash dividend + Share buyback) / Market cap. as of end of FY

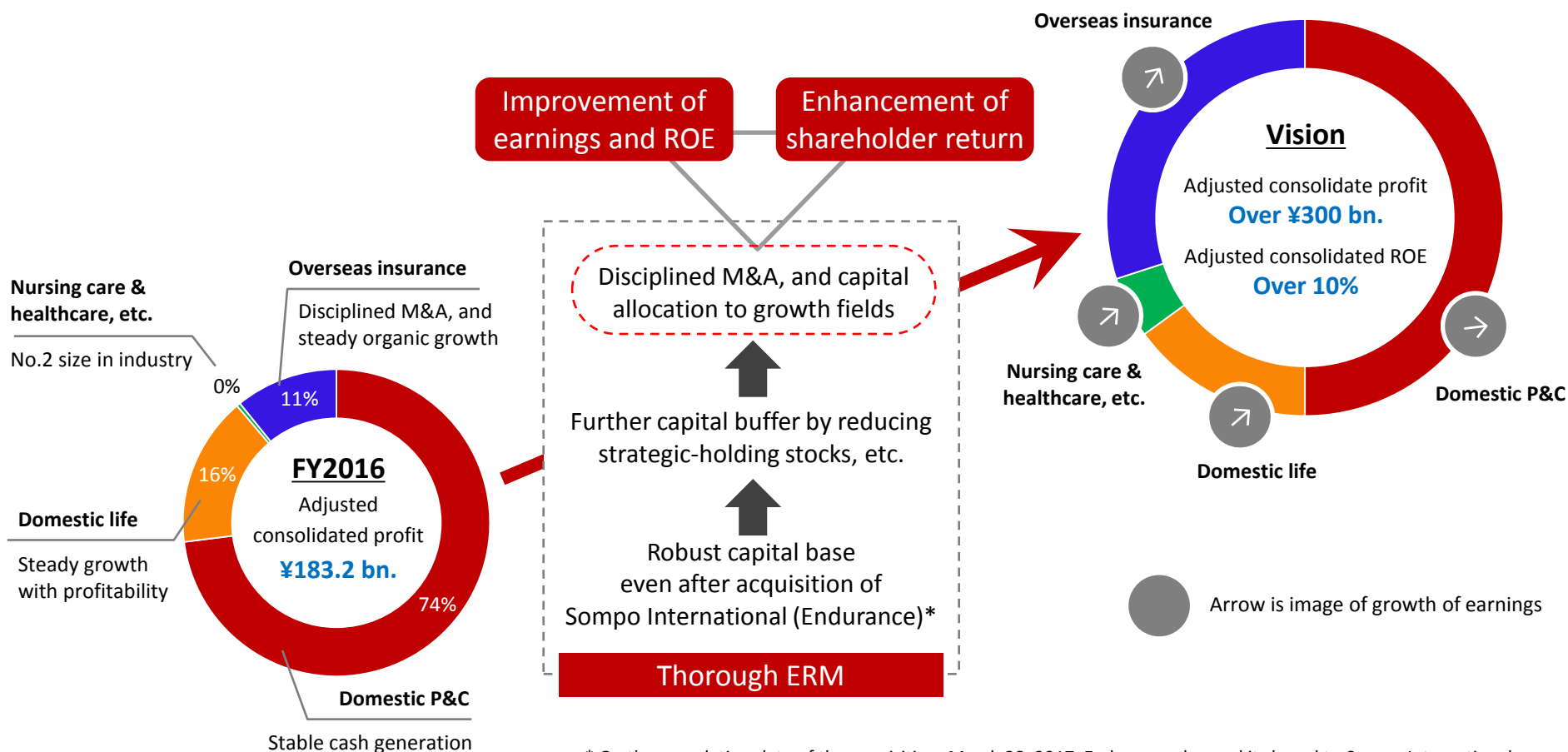
\*2 Dividend yield = Cash dividend / Market cap. as of end of FY

\*3 Total payout ratio = (Cash dividend + Share buyback) / Adjusted consolidated profit  
Could be adjusted based on capital level, ROE, etc.

# Growth Story Going Forward

◆ Based on enhancement of robust capital base, aim at global top 10 level of earnings and ROE.

## Group's growth story and transformation

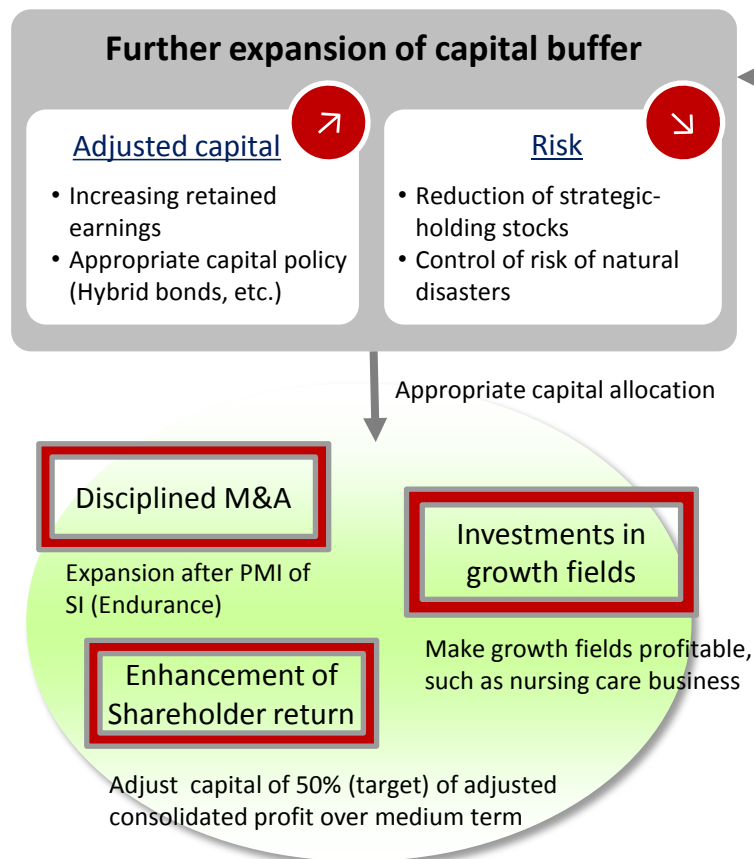


\* On the completion date of the acquisition, March 28, 2017, Endurance changed its brand to Sompo International. We use SI (Endurance) hereafter.

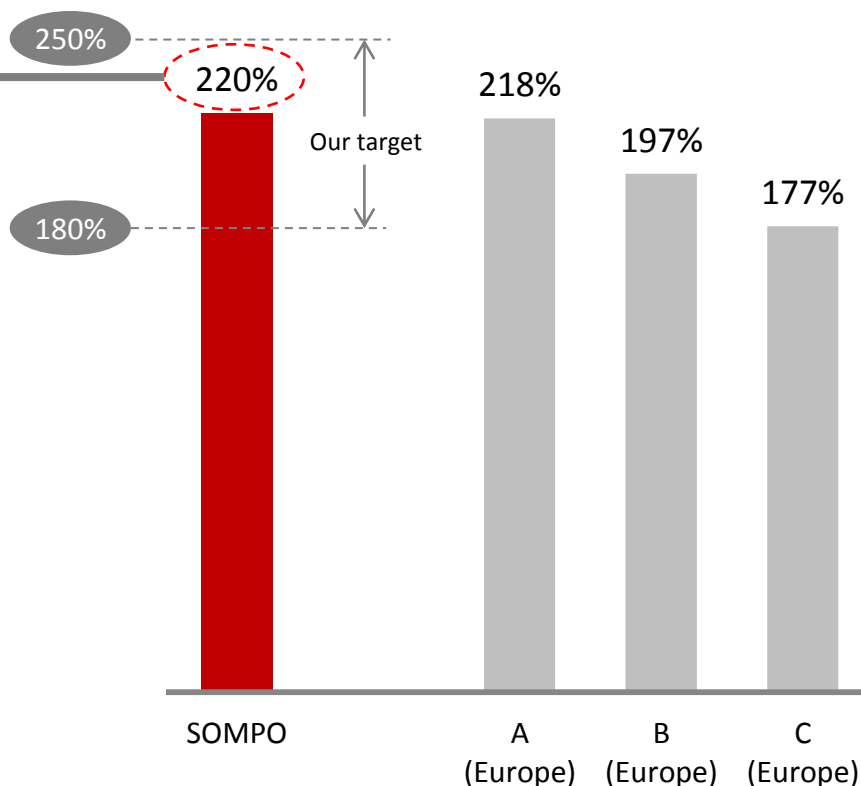
# Robust Financial Base and Growth Strategy

- ◆ Can realize further improvement of earnings and capital efficiency, utilizing released capital generated by reduction of strategic-holding stocks, etc.

## Growth strategy based on ERM framework



## Comparison with global peers\*



\* SOMPO uses ESR (99.5%VaR, refer to page 24 for details) as of end of June 2017.  
Other companies use solvency ratio based on Solvency II as of end of December 2016.

# (Reference) Numerical Management Targets, etc.

## Numerical management targets (adjusted profit)

(Billions of yen)	FY2016	FY2017		FY2018(Plan)
	(Actual)	(1Q actual)	(Full year forecast)	Reviewed and Announced on November 2016
Domestic P&C insurance* <sup>1</sup>	134.9	33.7	114.9	Over 120.0
Domestic life insurance	29.1	6.9	28.0	Over 32.0
Nursing care & healthcare, etc.	-0.7	0.7	3.4	Over 8.0
Overseas insurance	19.9	11.3	58.4	Over 60.0
<b>Total (Adjusted consolidated profit)</b>	<b>183.2</b>	<b>52.7</b>	<b>205.0</b>	<b>220.0 – 230.0</b>
<b>Adjusted consolidated ROE*<sup>2</sup></b>	<b>7.6%</b>	<b>-</b>	<b>8.1%</b>	<b>Over 8%</b>
(Reference) ROE (J-GAAP)	9.7%	-	10.1%	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)  
Adjusted profit of SI (Endurance) is operating income\*<sup>3</sup>

\*1 Total of Sompo Japan Nipponkoa, Saison Automobile & Fire, Sonpo 24, Sompo Japan Nipponkoa Insurance Services, DC Securities and Sompo Risk Management & Healthcare (from FY2017)

\*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 adjusted net assets = Net assets (J-GAAP) + Contingency reserve (after tax) + Reserve for price fluctuation (after tax)

+ Adjustment of underwriting reserve (after tax) + Non-depreciated acquisition cost (after tax)

\*3 Adjusted profit of SI (Endurance) is defined as operating income, which excludes one-time factors (operating income = net income - net foreign exchange gains/losses - net realized and unrealized gains/losses - net impairment losses recognized in earnings, etc.)

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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

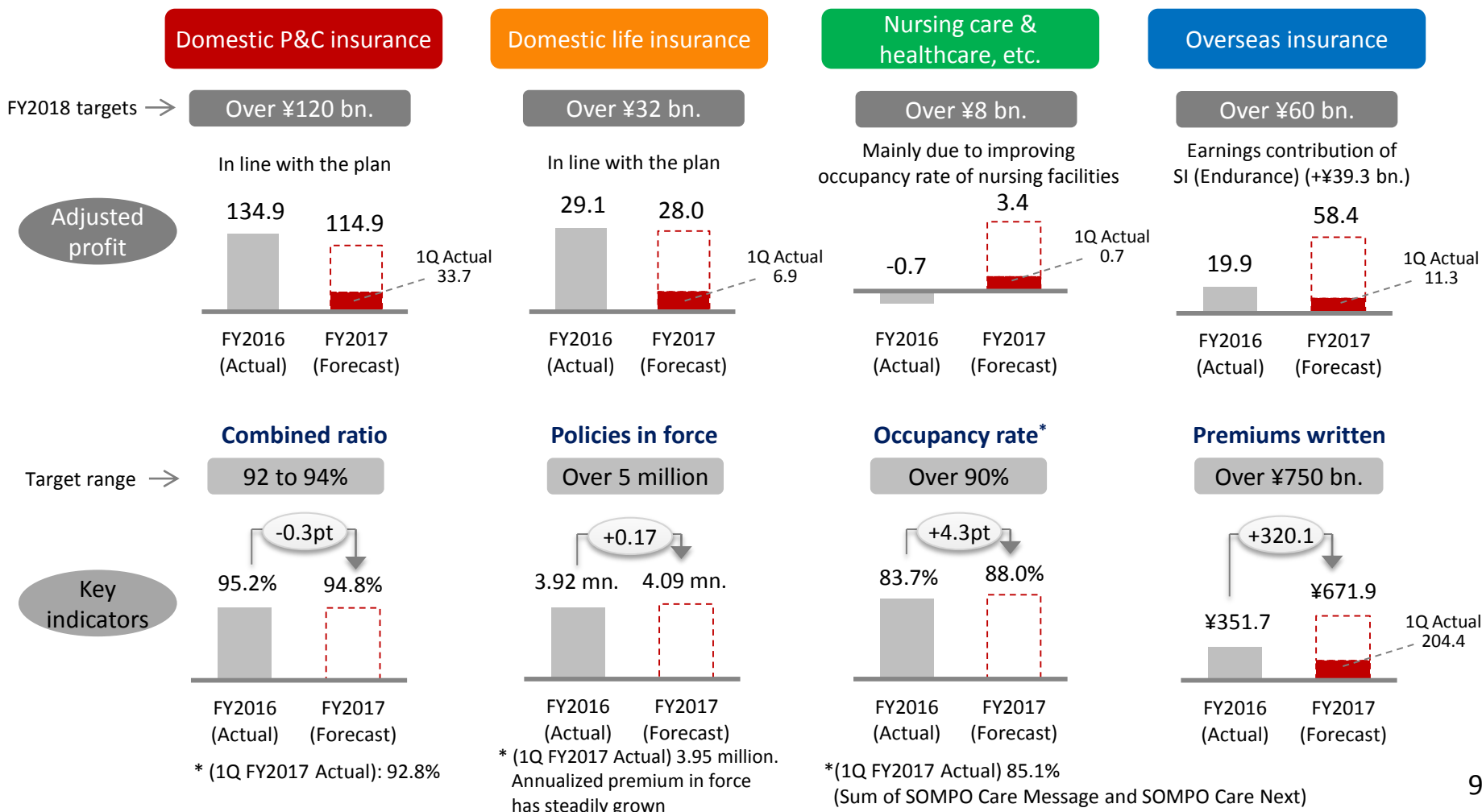
Accelerate growth by steady organic growth and disciplined M&A

- Establish truly integrated global insurance business platform in developed countries.
- Grow organically mainly in retail business in emerging countries.

# Progress of Mid-term Management Plan – By Segment

◆ Each business has steadily progressed. Key indicators are also improving to FY2018 targets.

## Adjusted profit by segment and key factors

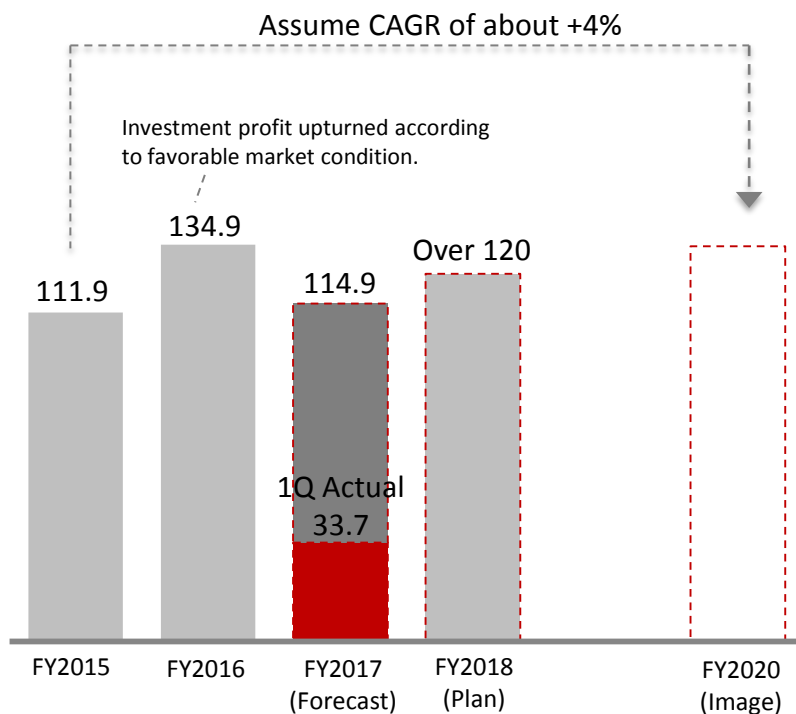


## Progress of Domestic P&C Insurance

- ◆ Domestic P&C insurance business made steady start against mid-term management plan.  
In FY2017, level of adjusted profit is expected to stay in line with the initial plan.
- ◆ Premiums are expected to be on increasing trend due to appropriate product and rate revisions, etc.

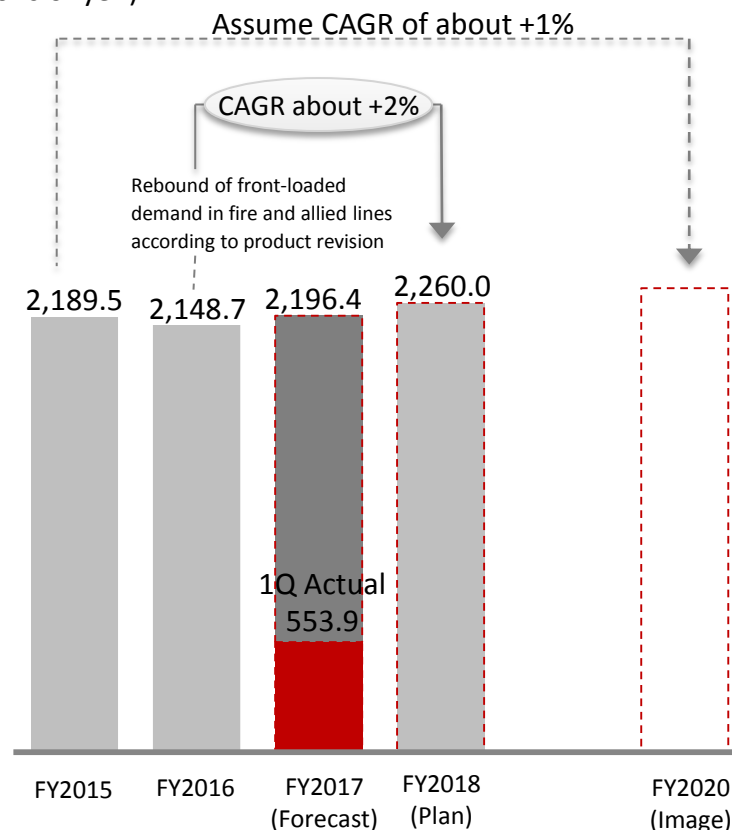
### Plan for adjusted profit

(Billions of yen)



### Net premiums written (Sompo Japan Nipponkoa)\*

(Billions of yen)



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

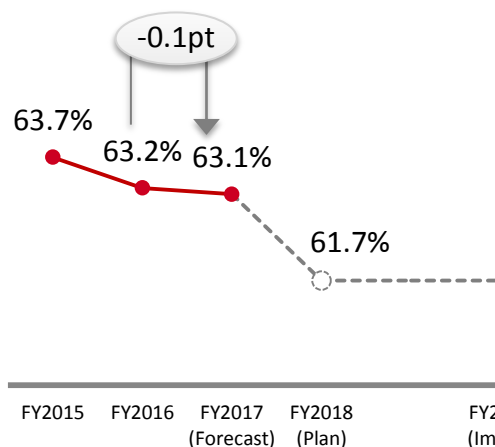
# Sompo Japan Nipponkoa – Combined Ratio

◆ Due to appropriate control of expense, progress is steady against the plan.

## Combined ratio (Sompo Japan Nipponkoa)

### Loss ratio<sup>\*1</sup>

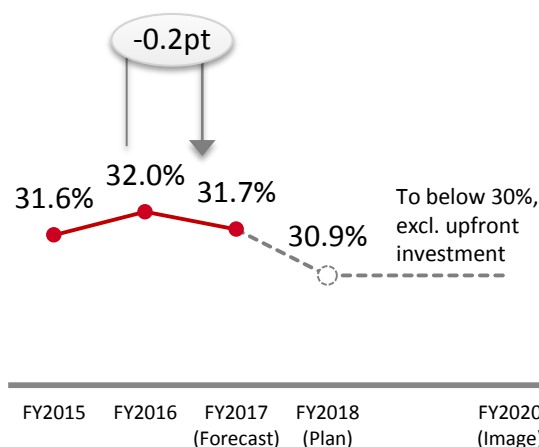
Profitability keeps on improving trend due to top-line growth.  
(1Q FY2017 Actual: 60.3%)



<sup>\*1</sup> Loss ratio is on a written paid basis (including loss adjustment expense).

### Expense ratio

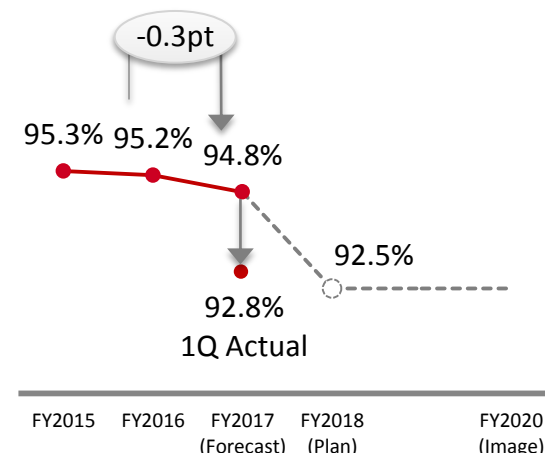
Initiated upfront investment for future<sup>\*2</sup>.  
Effect will be realized gradually after FY2018.  
(1Q FY2017: 32.3% (excluding upfront investments))



<sup>\*2</sup> The amount of upfront investments for the entire line item:  
In 1Q FY2017 Actual, ¥2.1 billion  
In FY2017 (forecast) and FY2018 (plan), around ¥10.0 billion

### Combined ratio

Aim at combined ratio of 92 to 94% level.



# 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.

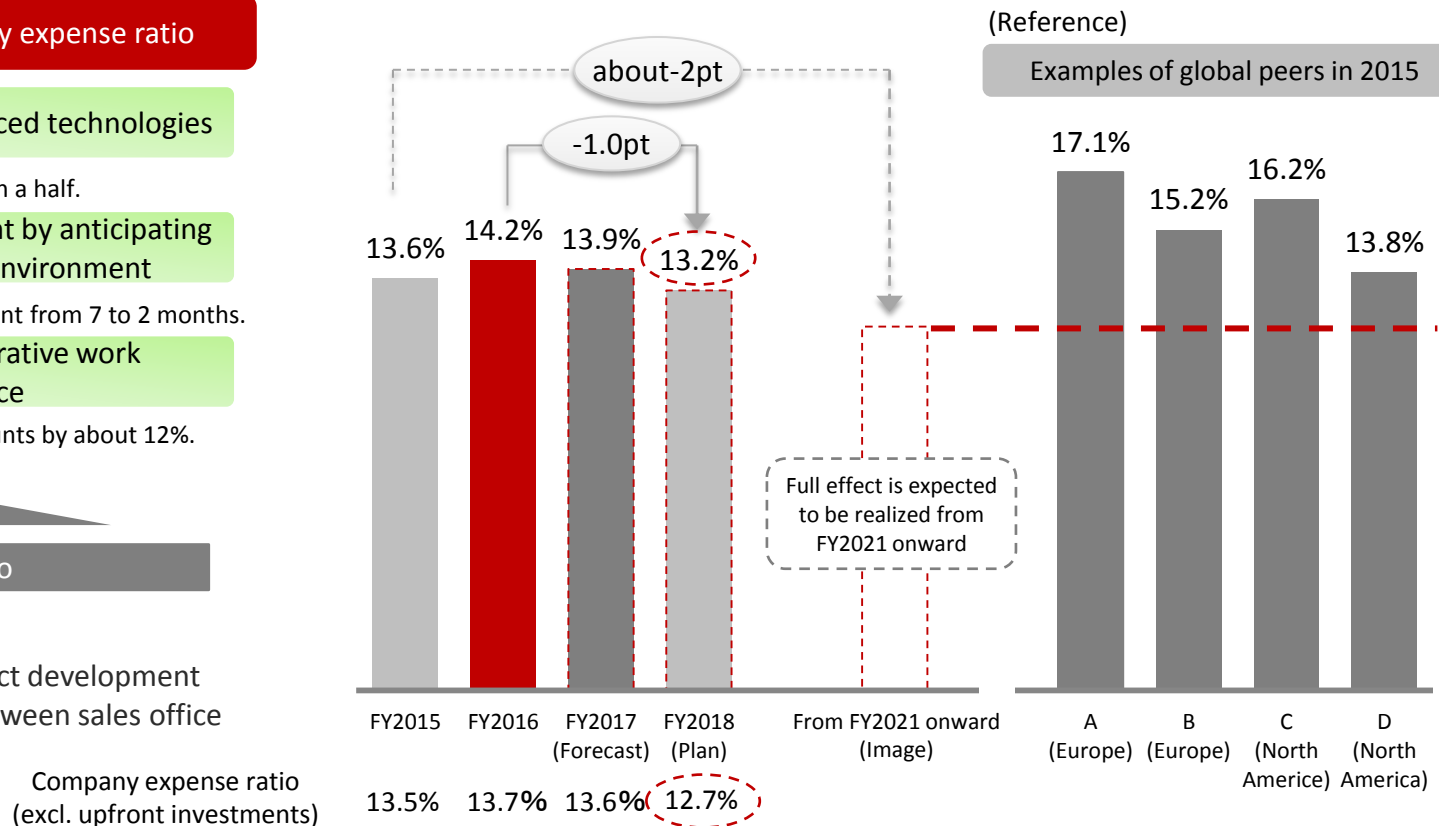
#### Achieve no administrative work in sales office

→Able to reduce sales headcounts by about 12%.

Status quo

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

## Trends of company expense ratio\*1



\* 1Q FY2017 Actual Company expense ratio: 14.1%, Company expense ratio(excl. upfront investments) : 13.8%

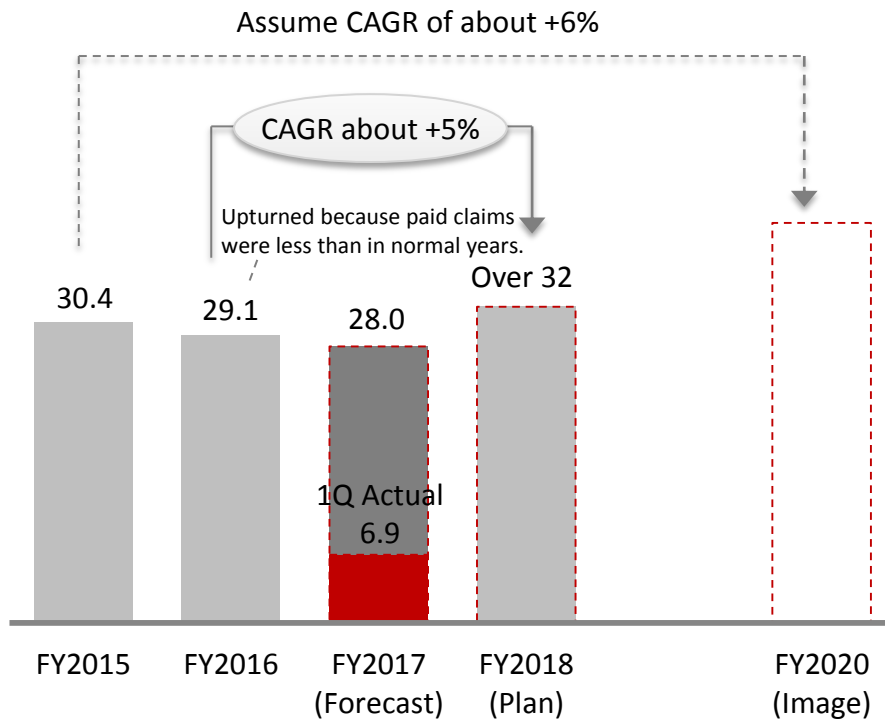
\*1 Company expense ratio = Operating, general and administrative expenses for underwriting / Net premiums written

## Progress of Himawari Life

- ◆ Enhanced profitability with the growth of policies in force centered on protection-type products.

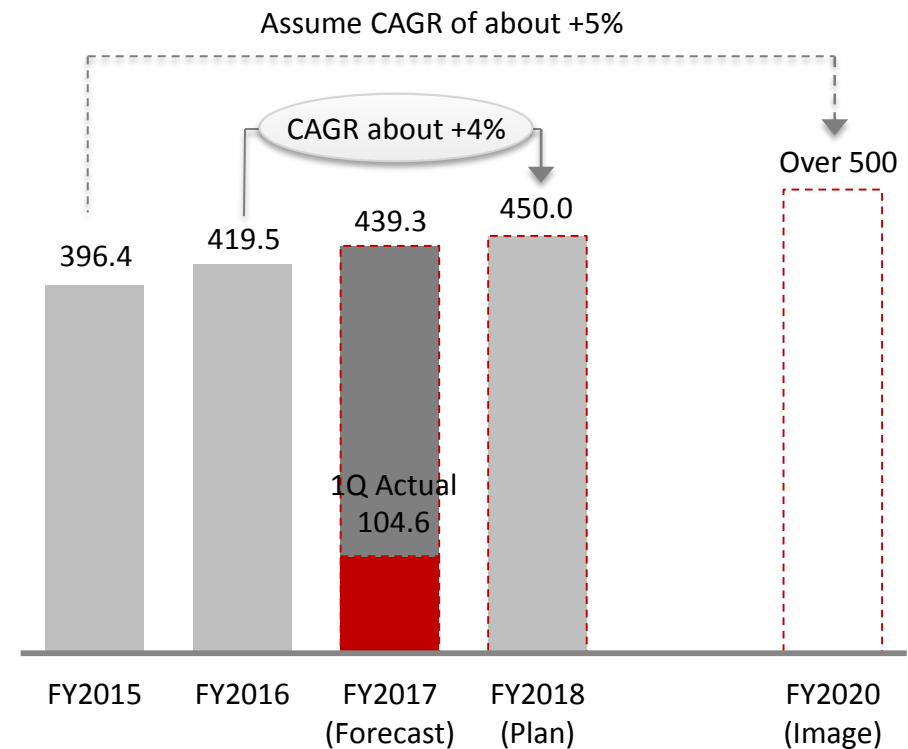
### Plan for adjusted profit

(Billions of yen)



### Premium and other income

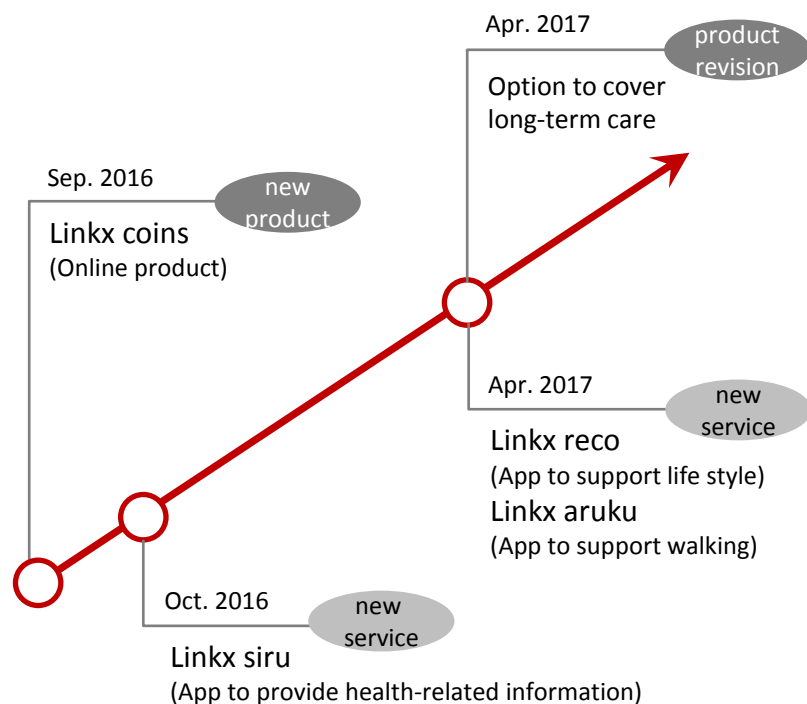
(Billions of yen)



# Progress of Growth Strategy in Domestic Life Insurance

- ◆ Increase the number of customers through new products and services matching customer needs.

## New products and services



## (Reference ) Business model

- Establish lifelong connection with customers.
- Accelerate growth strategy centered on health service brand "Linkx (Link cross)."

Increase the number of customers by providing health-related services one by one.



Proactively develop products from customers' perspective, such as a product utilizing vital data.

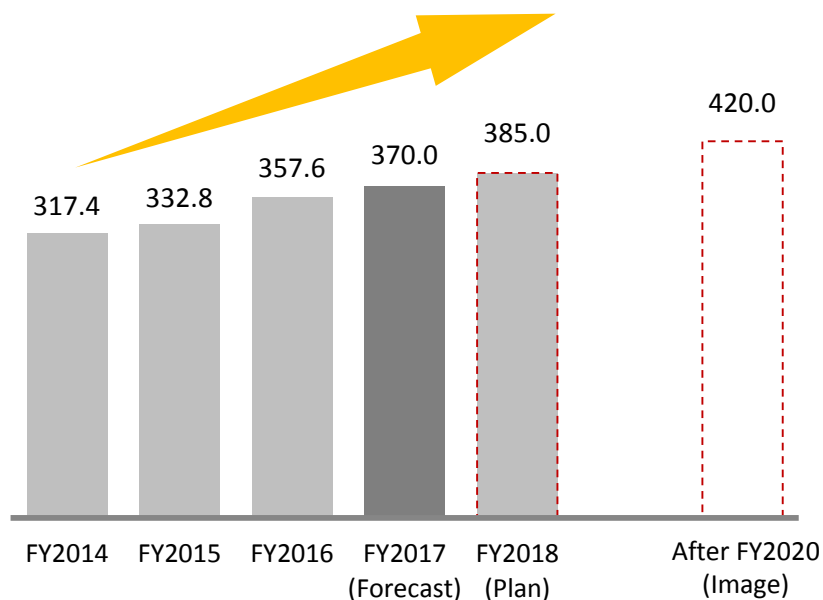
Himawari Life connects digitally with customers through products and services, and high-quality sales representatives follow them.

# (Reference) Annualized premium in force and Product Mix

## Annualized premium in force

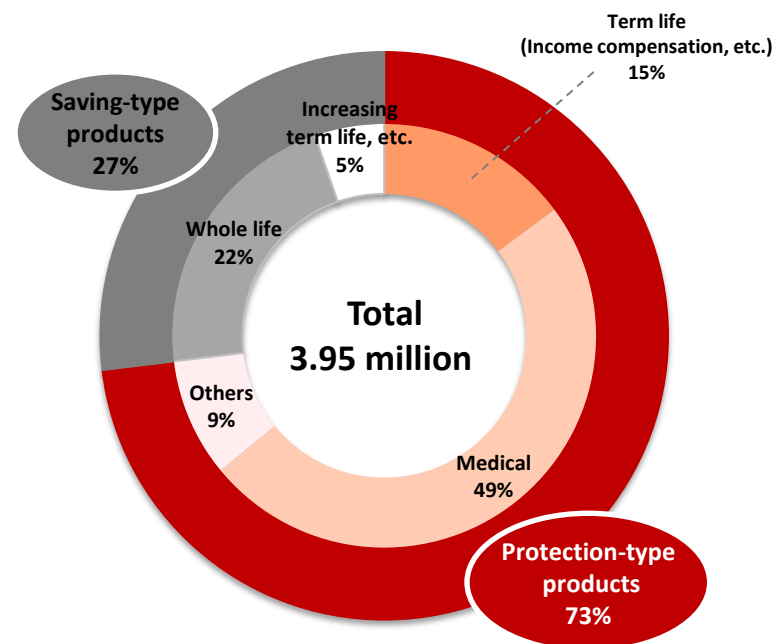
Steadily increased annualized premium in force mainly in protection-type products

(Billions of yen)



## Product Mix (Policies in force: end of June 2017)

While keeping highly profitable product mix, aim to grow continuously

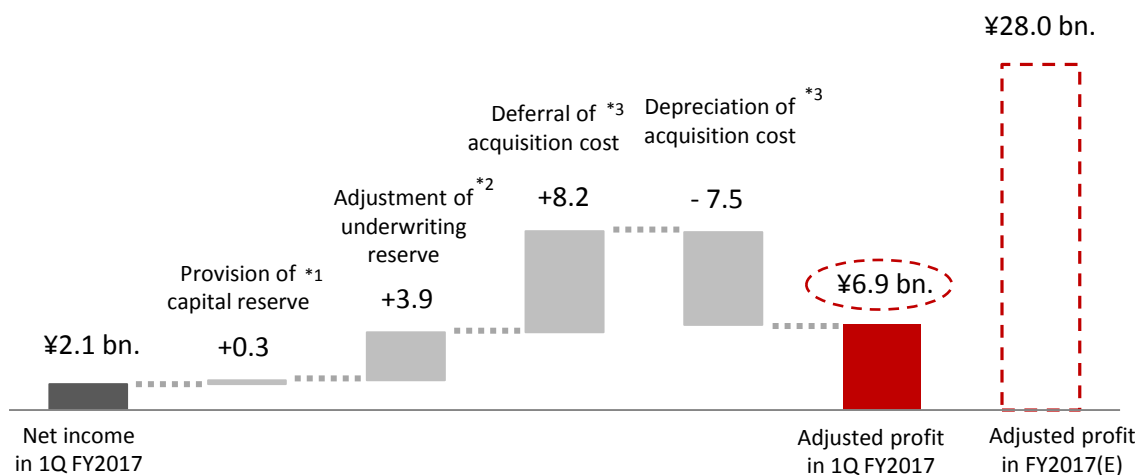


Protection-type products: Medical, cancer, income compensation, and term life insurance (excluding long term life and increasing term life insurance)

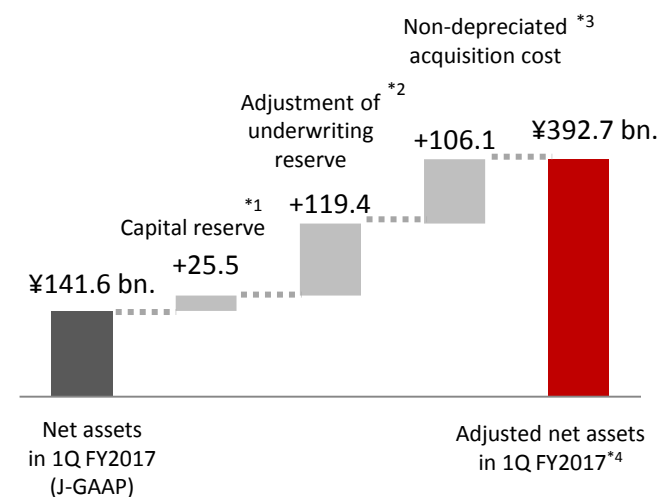


# (Reference) Adjusted Profit and Adjusted Net Assets – Himawari Life

## Conversion from net income to adjusted profit



## (Reference) Adjusted net assets



\*1 Contingency reserve and reserve for price fluctuation (after tax).

\*2 Re-calculate underwriting reserve, which is calculated conservatively, with factors used for calculation of premiums (after tax).

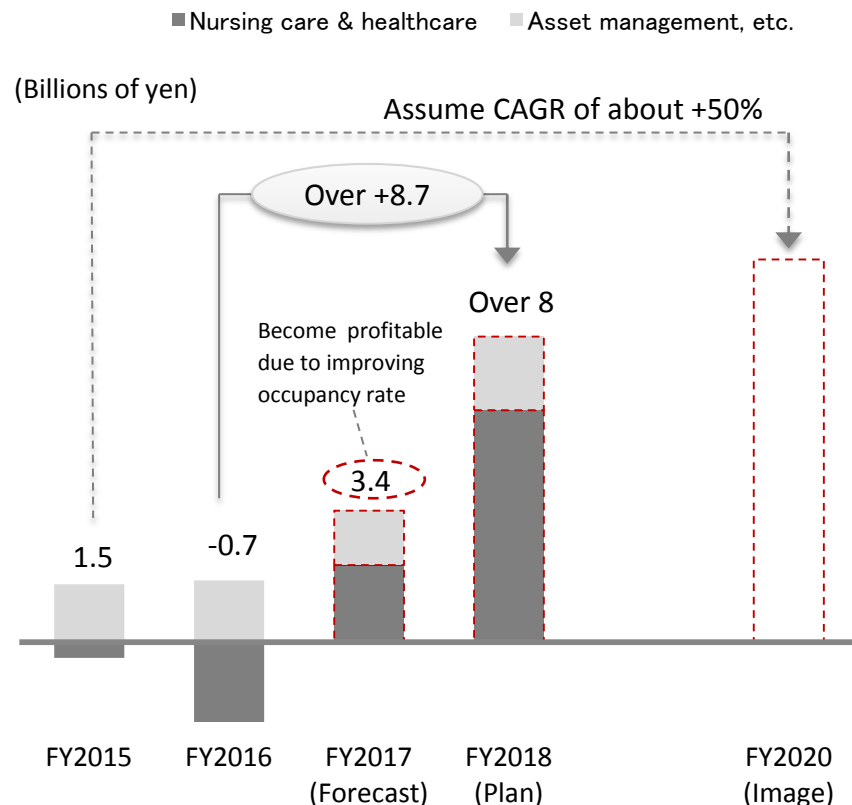
\*3 Acquisition cost, such as commissions for new contracts, depreciated over 10 years (after tax).

\*4 MCEV at the end of March 2017: 843.4 billion yen

## Progress of Nursing Care & Healthcare, etc.

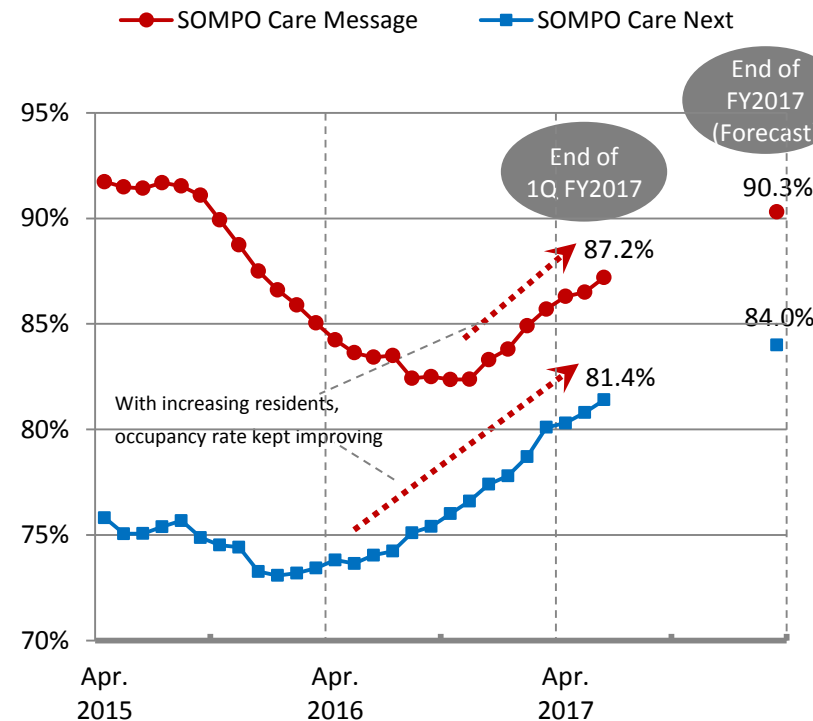
- ◆ In nursing care business, occupancy rate is improving in accordance with progress of strengthening internal management. The business is expected to become profitable in FY2017.

### Plan for adjusted profit



\* 1Q FY2017 Actual : ¥0.7 billion

### Occupancy rate\*2

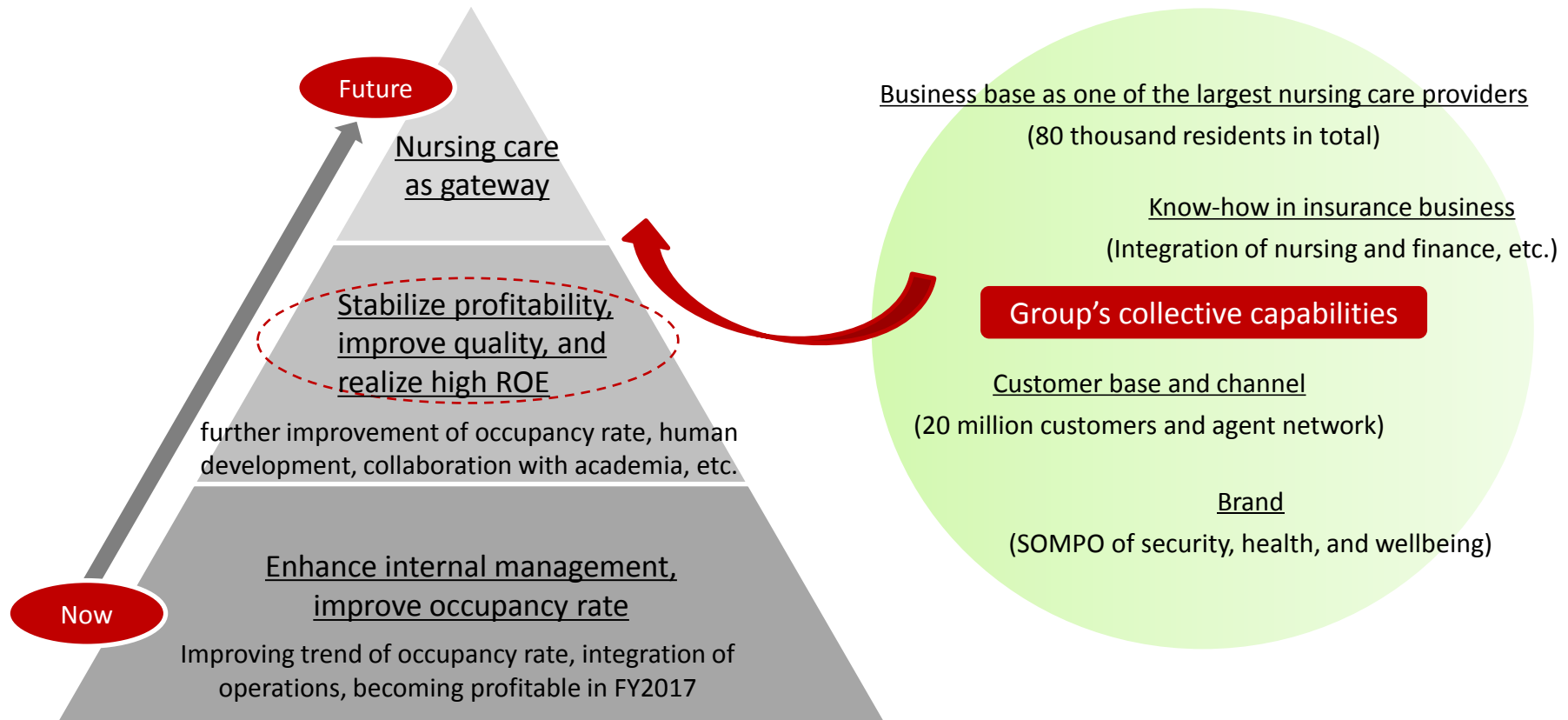


\* Occupancy rate = the number of residents / capacity of facilities

## Medium-term Strategy of Nursing Care Business

- ◆ Shift to phase of improving profitability in accordance with strengthened internal management.
- ◆ By utilizing group's collective capabilities, become a top level nursing care provider (size, profitability, quality) in domestic market.

### Entrenched internal management and phase of improving profitability

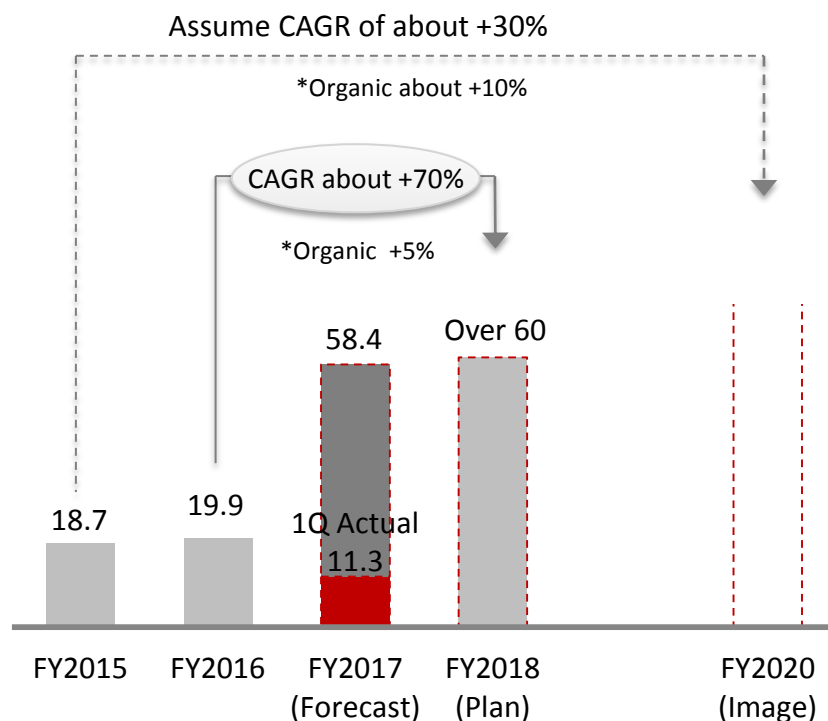


## Progress of Overseas Insurance

- ◆ Aim at organic growth faster than market average, and expansion through disciplined M&A.
- ◆ Thanks to the impact of SI (Endurance), the profit of overseas insurance business is drastically expanding. The targets in FY2018 could be outperformed.

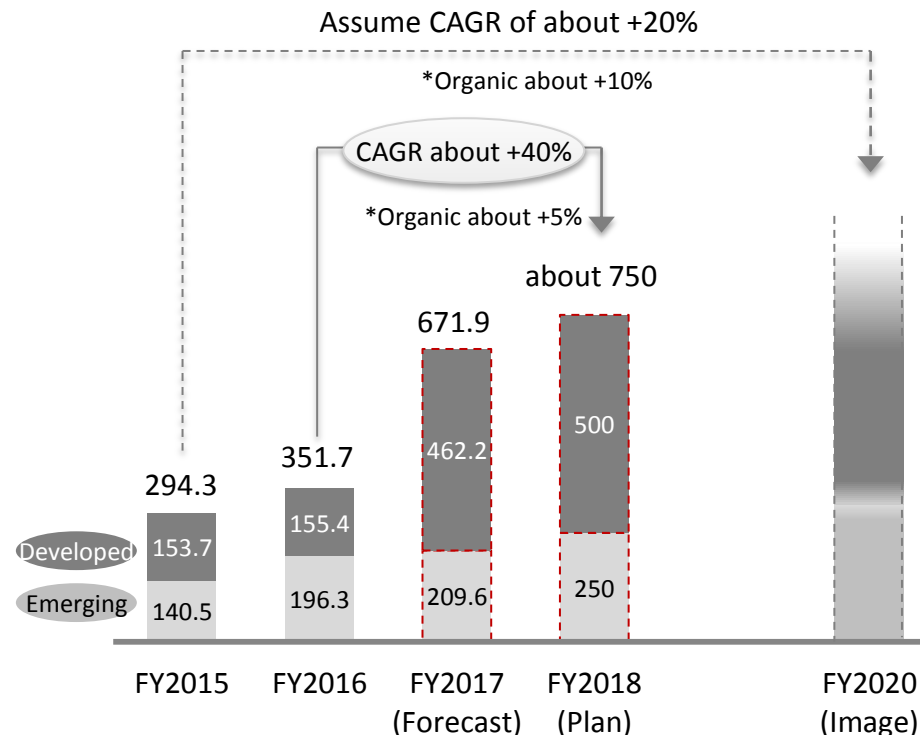
### Plan for adjusted profit

(Billions of yen)



### Premiums\*

(Billions of yen)



\* 1Q FY2017 Actual: ¥204.4 billion (¥156.6 bn. (Developed), ¥48.8 bn. (Emerging))

\* Net premiums written of subsidiaries and affiliates reflect holding shares of each company. This treatment does not coincide with financial statements.

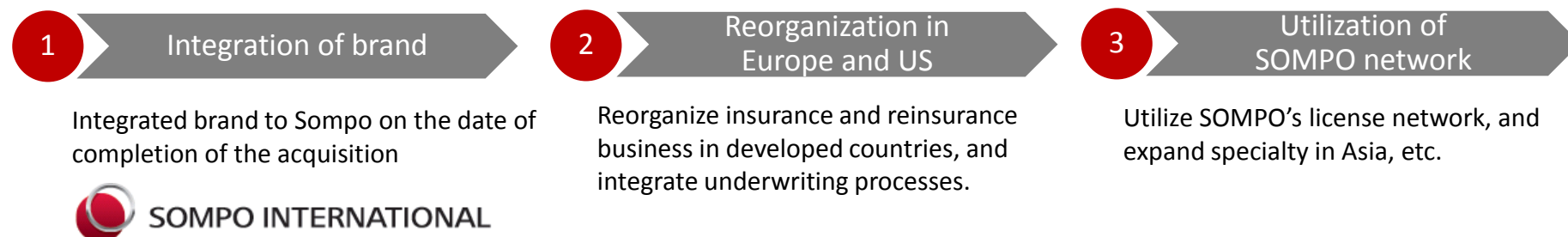
The net income figures also have been adjusted to reflect shareholdings and other factors.

From FY2016, figures include Sompo Indonesia, Sompo Thailand, PGA Sompo (Philippines), United Insurance (Vietnam), and Sompo Mexico (The same shall apply hereafter).

# Acquisition of SI (Endurance) and PMI

- ◆ Complete PMI first, and then accelerate growth in developed countries by integrating resources.

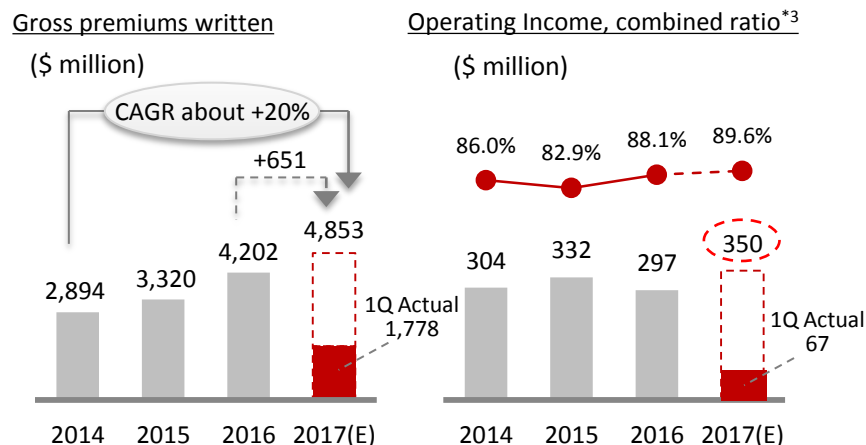
## Growth by completing PMI (Post Merger Integration)



## Key points regarding the acquisition

- Total consideration is \$6,288 million (about ¥683.1 bn.)
- B/S was consolidated as of end of FY2016, and earnings of \$350 million (¥39.3 bn. \*<sup>1</sup>) will be consolidated in FY2017.
- Adopt Operating Income\*<sup>2</sup> for adjusted profit, which controls one-time factors, such as market volatility.

## SI (Endurance)'s performance



\*1 Exchange rate as of end of March 2017 (\$1=¥112.19)

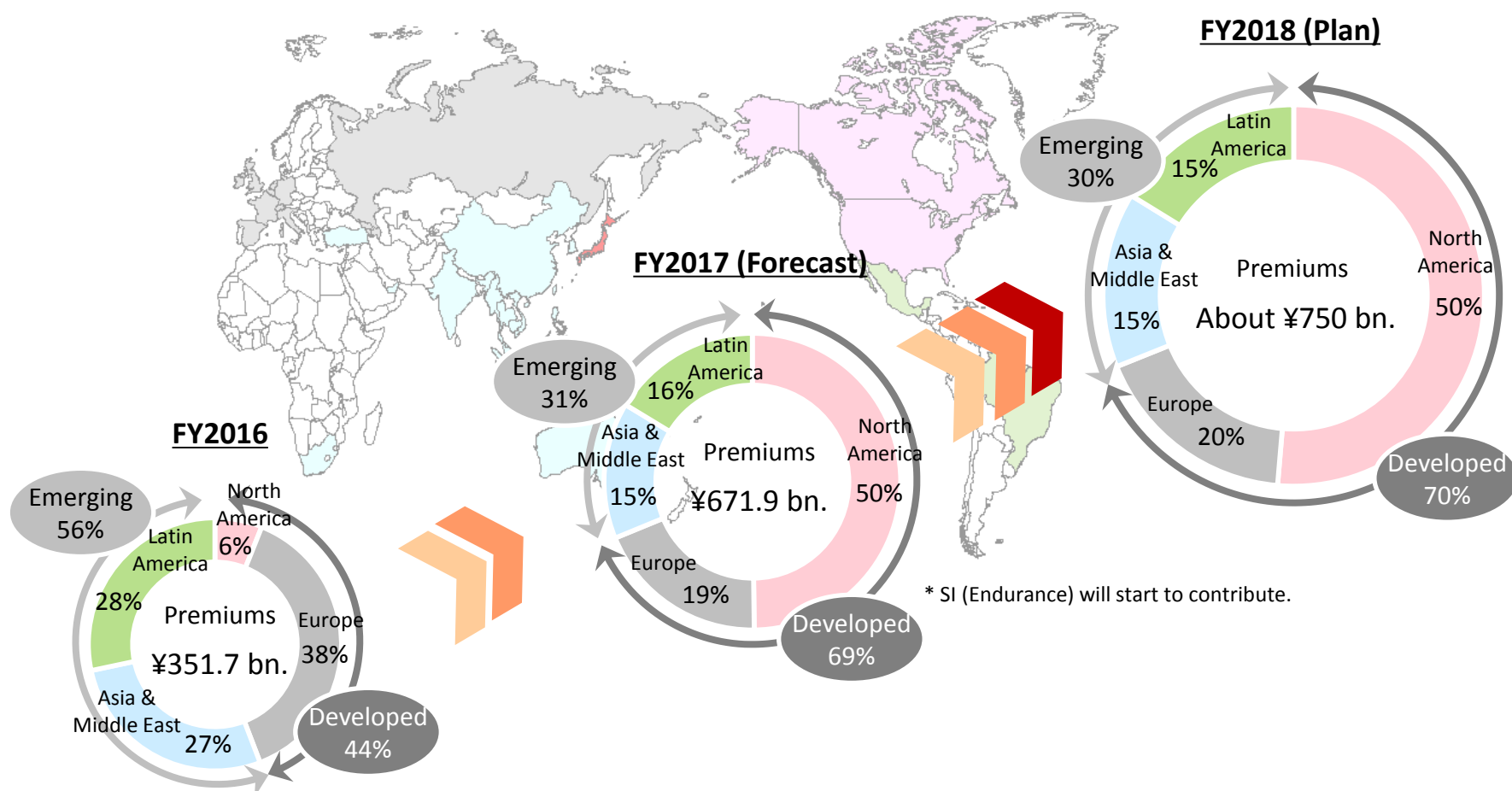
\*2 Operating Income = Net income – Net foreign exchange gains  
– Net realized and unrealized gains – Net impairment losses, etc.

\*3 In FY2017 forecast, one-time merger cost of \$62 million is excluded from expense as a special factor.  
(If it is not excluded, Operating Income is \$288 million and combined ratio is 92.0%.)

## Progress of Global Expansion

- ◆ Global geographical diversification improves. Weight of developed countries becomes about 70%, which is close to global market average.

### Transformation of portfolio of overseas insurance business (premiums written basis)



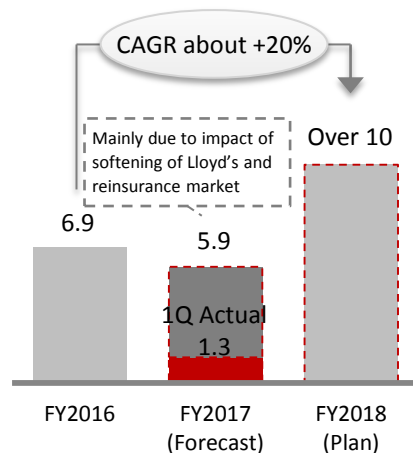
# (Reference) Earnings Plan by Region

## Net income by region

(Billions of yen)

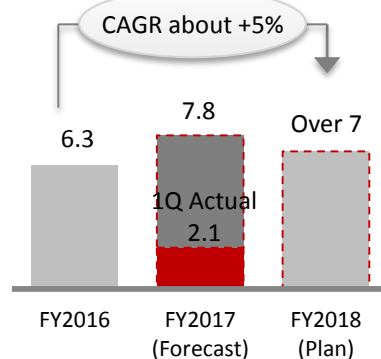
### Europe

- In line with the plan due to appropriate underwriting despite impact of soft market.



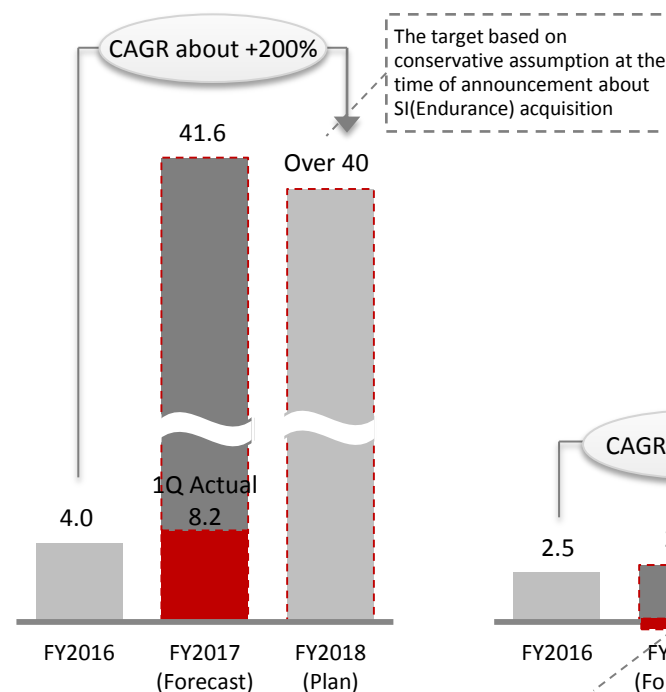
### Asia & Middle East

- Motor Third-party Liability Insurance in SJ Sigorta (Turkey) exceeded expectation and contributed to earnings growth.
- Aim at further growth through alliance with CIMB, etc.



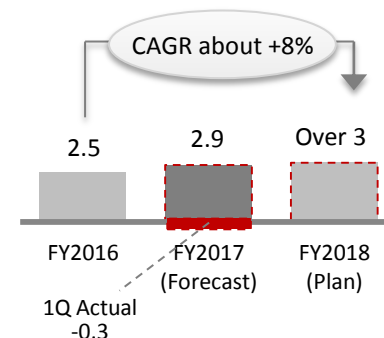
### North America

- Loss ratio was lower than planned in FY2016.
- SI (Endurance) start earnings contribution from FY2017.



### Latin America

- Benefits of underwriting optimization began to appear.



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## Appendix

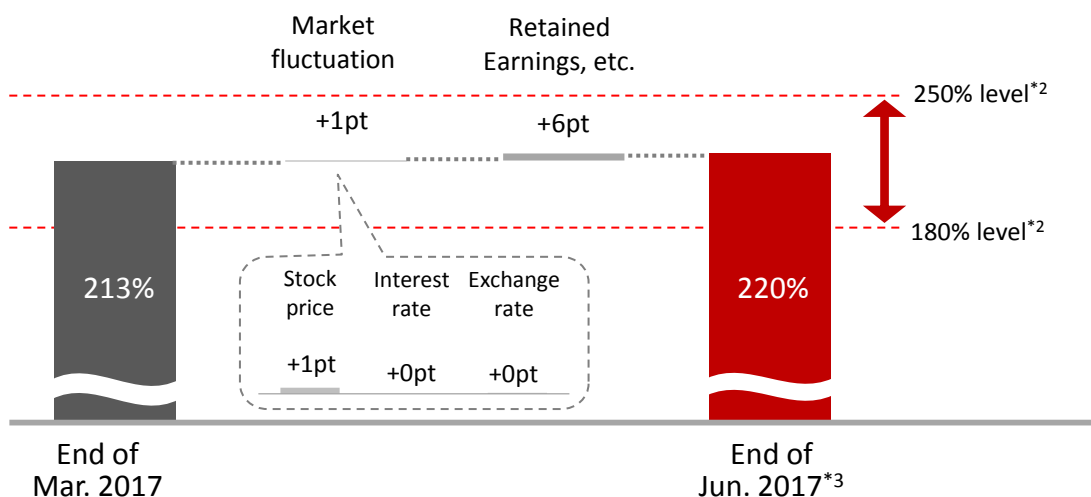
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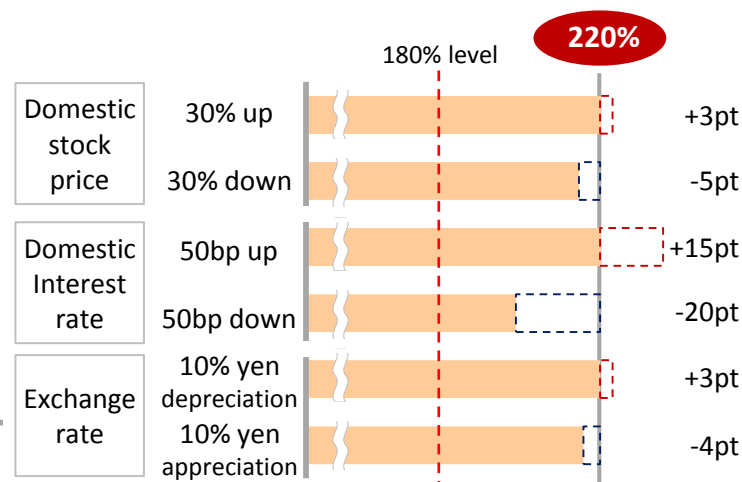
# Financial Soundness: ESR (99.5%VaR)

◆ Our financial soundness stays robust.

## Trend of ESR (99.5%VaR)\*1



## Sensitivity of ESR (99.5%VaR)



\*1 In accordance with international capital regulation, such as Solvency II

\*2 Target range is around 180% to 250% (99.5%VaR).

250% level: The level set based on capital efficiency (ROE).

180% level: The level leading to stable financial soundness, based on the result of stress test, etc.

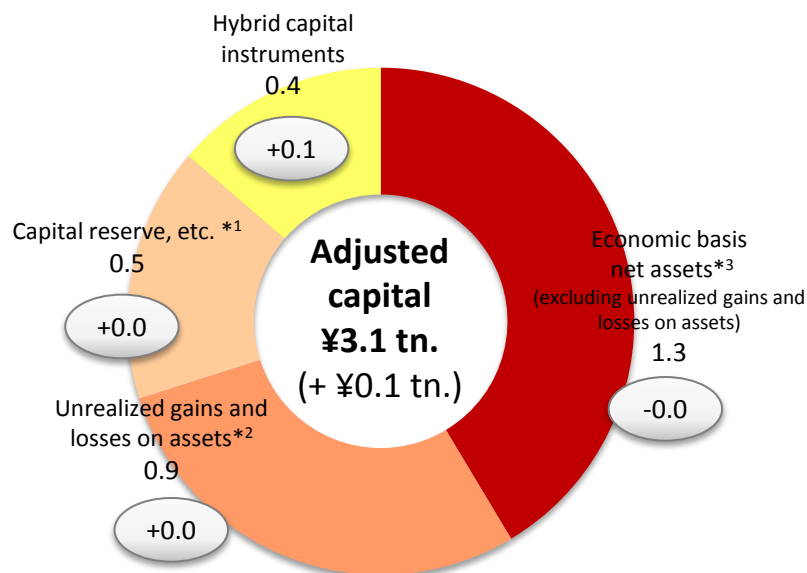
\*3 (Reference) ESR (99.95%VaR) at the end of June 2017: 154%  
(Target range under this standard was around 120% to 170%)

(Reference) Market indicators	End of Mar. 2017	End of Jun. 2017	
Domestic stock price (Nikkei 225)	¥18,909	¥20,033	(+5.9%)
Domestic interest rate (30y JGB)	0.85%	0.85%	( - )
Exchange rate (JPY/USD)	¥112.19/USD	¥112.00/USD	(-0.2%)
Exchange rate (JPY/EUR)	¥119.79/EUR	¥127.97/EUR	(+6.8%)

# Breakdown of Adjusted Capital and Risk (99.5% VaR)

## Adjusted capital (Trillions of yen)

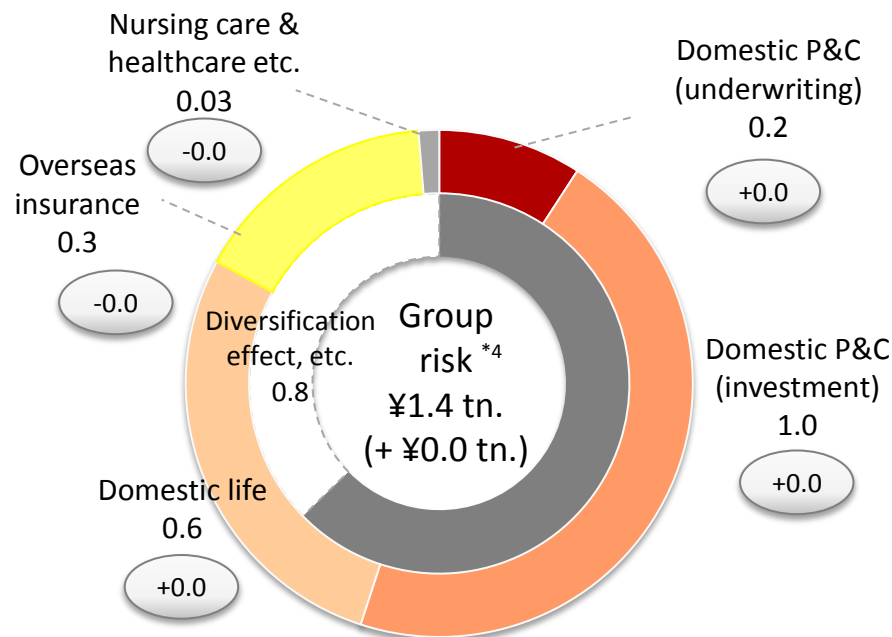
(End of June 2017)



: Change from end of Mar. 2017

## Risk amount (Trillions of yen)

(End of June 2017)



\*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, 99.5% VaR

• Risk amount of each business:

Before reflecting risk diversification effect among businesses and before-tax basis.

• Group total risk:

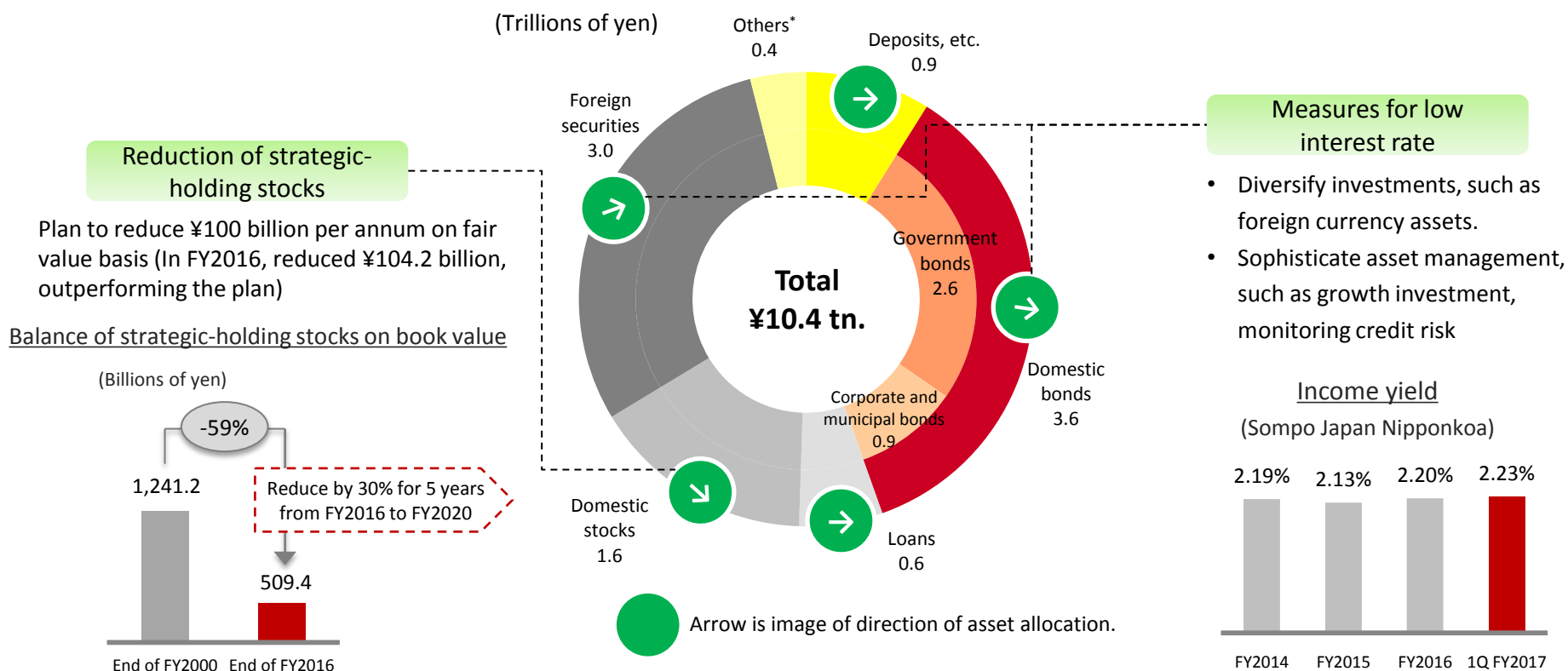
Sum of risk amount of each business less risk diversification effect among businesses and tax impact.

# Strategy for Asset Management

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

## Basic policy of group's asset management

<Balance of investment assets (end of June 2017, group-wide basis)>

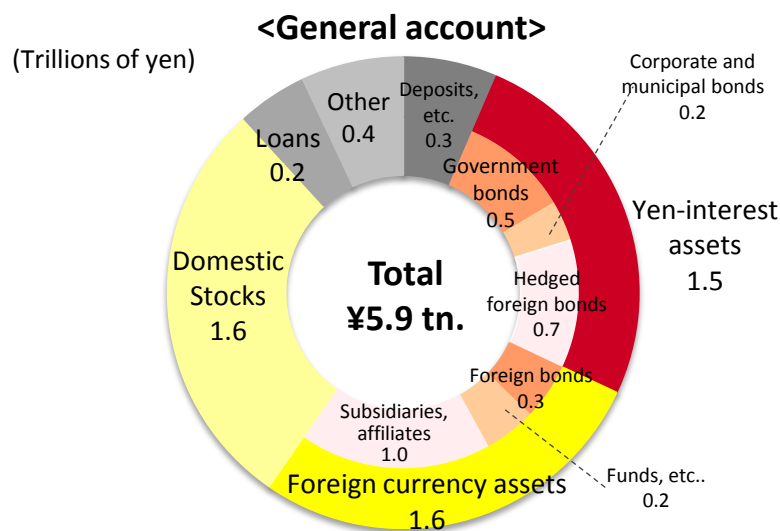


\* Others include lands, buildings and stocks of non-consolidated subsidiaries, etc.

## Asset Portfolio – Sampo Japan Nipponkoa

- ◆ The general account is managed with diversified investments while the saving-type account utilizes portfolio management based on ALM.
- ◆ While diversifying investment methods, considering the risk-return balance in light of the domestic low interest rate environment, keep focusing on stability of asset management.

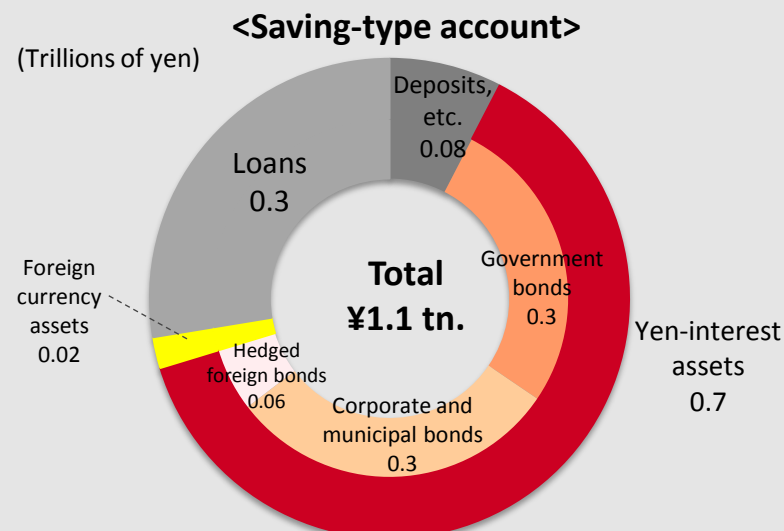
### Amount of investment assets (end of June 2017, Sampo Japan Nipponkoa, non-consolidated)



#### Composition by ratings\*

Internal rating	Composition
BBB or above	100.0%
BB or below	0.0%

\* Total of yen-interest assets and foreign currency assets



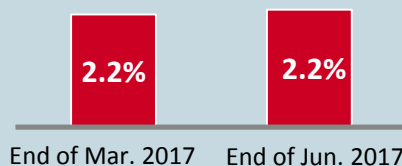
#### Composition by ratings\*

Internal rating	Composition
BBB or above	100.0%
BB or below	-

#### Duration (years)

	End of Mar. 2017	End of Jun. 2017
Asset	4.5	4.5
Liability	6.2	6.2

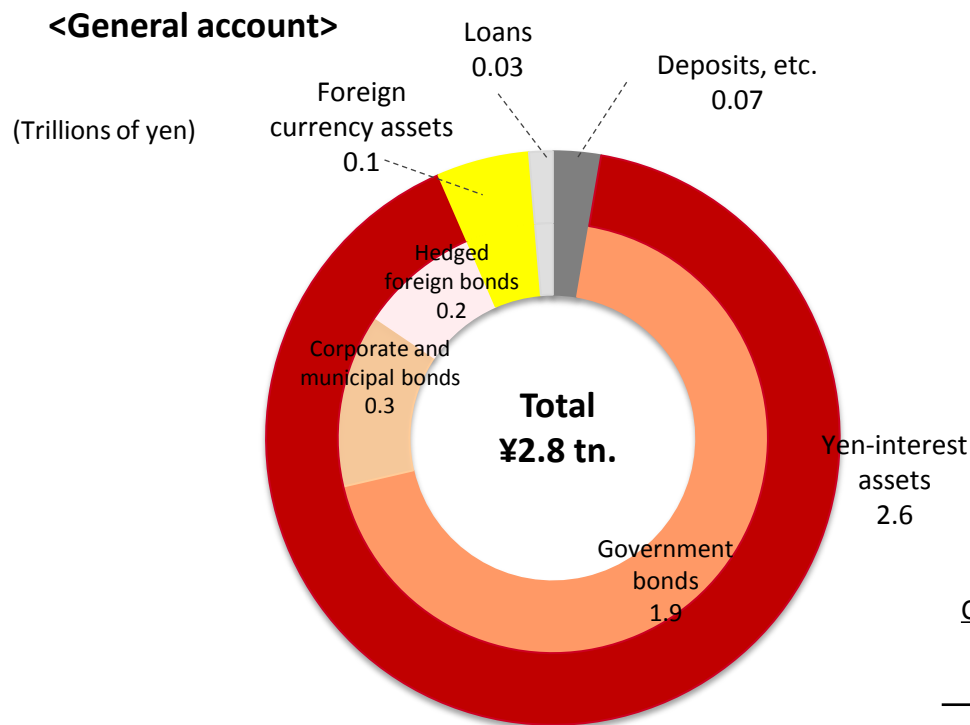
#### Trend of income yield



## Asset Portfolio – Himawari Life

- ◆ Manage the portfolio through disciplined ALM, which mainly consists of yen-interest assets.
- ◆ Increased slightly allocation to foreign currency assets, which account for small portion, in light of the domestic low interest rate environment.

### Amount of investment assets (end of June 2017, Himawari Life, non-consolidated)



#### Trend of income yield

1.7%

End of Mar. 2017

1.7%

End of Jun. 2017

#### Composition by ratings\*

Internal rating	Composition
BBB or above	100.0%
BB or below	-

#### Duration (years)

	End of Mar. 2017	End of Jun. 2017
Asset	13	13
Liability	21	22

(Reference) Amount of separate account (End of Jun. 2017): ¥22.5 billion  
(mainly investment in domestic stocks and bonds in the separate account)

\* Total of yen-interest assets and foreign currency assets

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## 1. Mid-term management plan

P1

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(1) Key points of management plan

P1

(2) Business strategies for each business segment

P7

(3) ERM, capital policy & asset management

P23

## 2. About SOMPO Holdings

P29

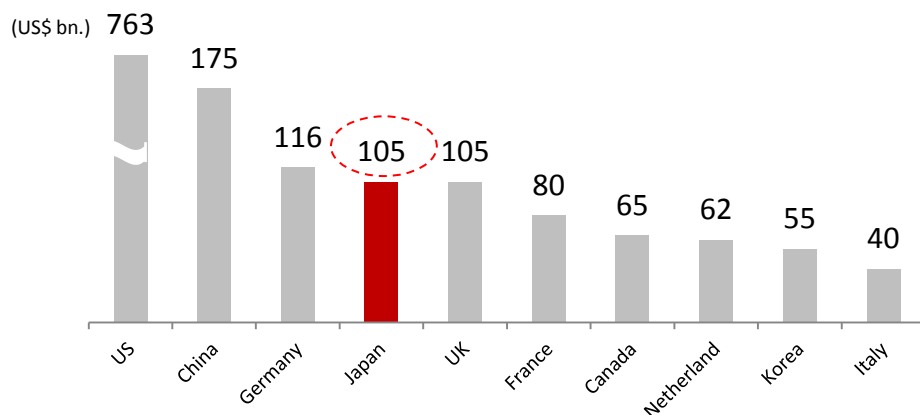
Appendix

P33

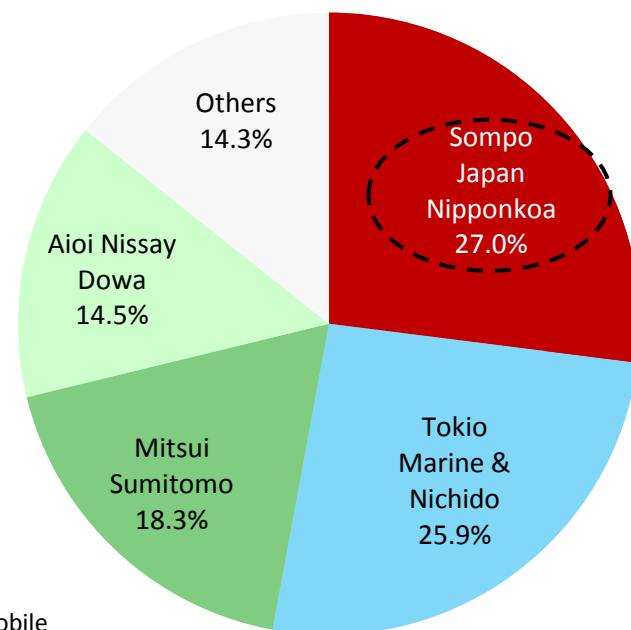
# Overview of the Japanese P&C Insurance Market and our Position

- ◆ The market Premiums have been growing mainly in automobile insurance. The total market share of the top 4 companies is approximately 90%.
- ◆ Sompo Japan Nipponkoa has the largest share in the Japanese P&C insurance market.

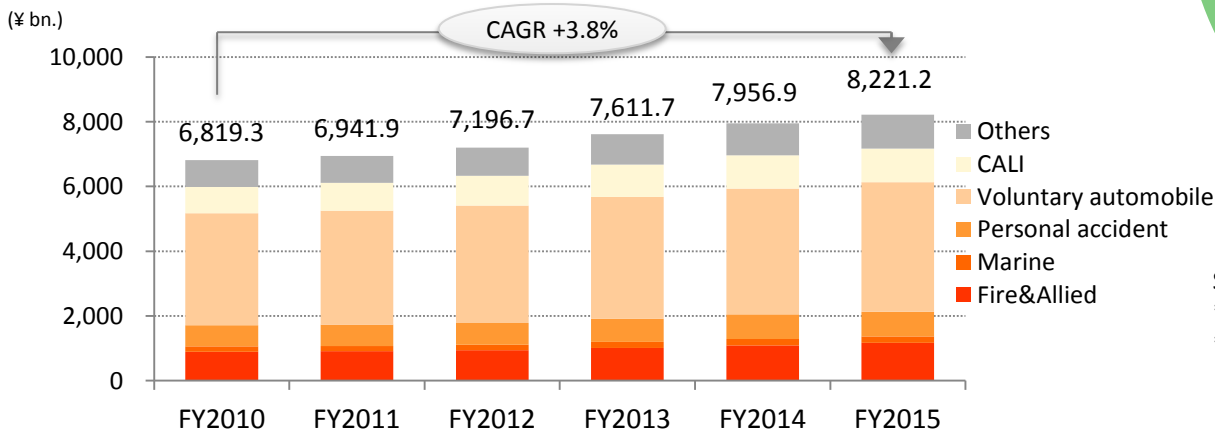
Size of P&C insurance market by country\*<sup>1</sup> (FY2015)



Market share in the Japanese P&C insurance market\*<sup>2</sup> (FY2015)



Historical premiums in the Japanese P&C insurance market\*<sup>2</sup>



Source: Swiss Re "Sigma Report", Hoken Kenkyujo "Insurance".

\*<sup>1</sup> Gross premiums, including reinsurance premiums

\*<sup>2</sup> Based on net premiums of P&C insurers in Japan excluding reinsurance companies

# Overview of SOMPO Holdings

- ◆ Positioning the Sampo Japan Nipponkoa as the core, SOMPO Holdings develops insurance businesses at home and abroad, etc.
- ◆ Ordinary income amounted to over ¥3.4 trillion and total assets amounted to around ¥12 trillion.

## Group at a glance



**SOMPO** HOLDINGS

### Domestic P&C

- Sampo Japan Nipponkoa
- Saison Automobile & Fire
- Sonpo 24
- Insurance Service
- DC Securities
- Risk Management & Healthcare

### Domestic Life

- Himawari Life

### Nursing care & healthcare business, etc.

- SOMPO Care Message
- SOMPO Care Next
- Asset management business
- Assistance business, etc.

### Overseas insurance

- SI (Endurance)
- Sampo Canopus
- Sampo Seguros (Brazil)
- Sampo America (US)
- SJ Sigorta (Turkey)
- Berjaya Sampo (Malaysia)
- Sampo Singapore, etc.

## Selected financial data (Consolidated)

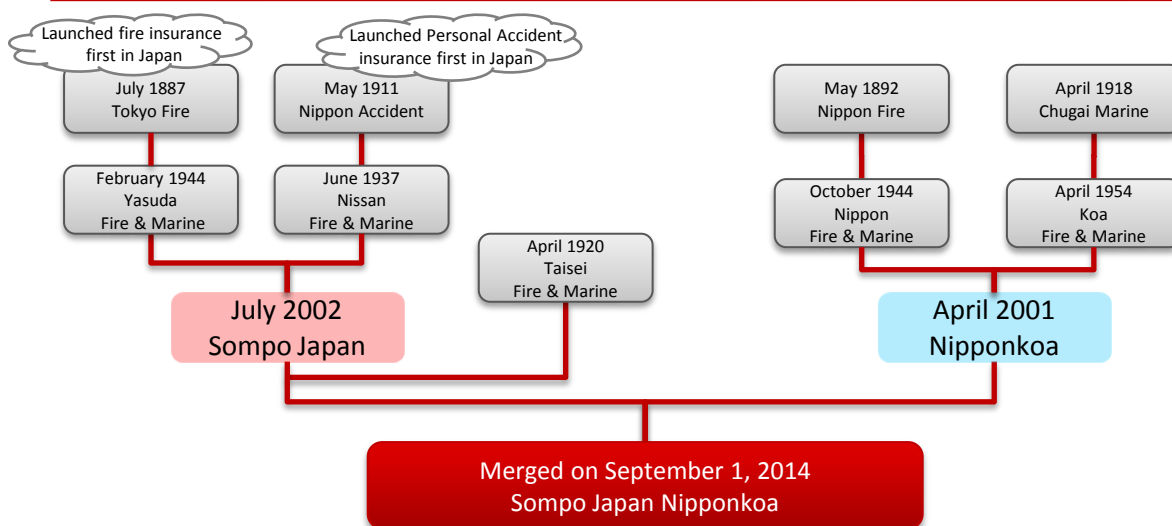
(¥ bn.)	FY2015	FY2016	FY2017(E)
Consolidated Ordinary Income	3,256.1	3,419.5	-
Consolidated Ordinary Profit (Loss)	216.8	241.7	259.0
Consolidated Net Income (Loss)	159.5	166.4	183.0
Total Assets	10,186.7	11,931.1	-
Total Net Assets	1,652.8	1,868.9	-
Market Capitalization	1,288.4	1,607.1	-



# Overview of Somo Japan Nipponkoa

◆ We have 130 years of history, and net premiums written amount to more than ¥2.2 trillion.

## History of domestic P&C insurance



## Selected financial data

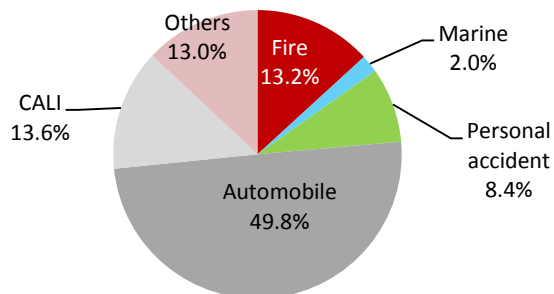
(¥ bn)	FY2015	FY2016	FY2017(E)
Net Premiums	2,218.4	2,165.6	2,205.4
Ordinary Profit (Loss)	178.0	230.4	227.0
Net Income (Loss)	126.2	164.4	157.0
Total Assets	7,036.2	7,568.7	-
Total Net Assets	1,324.8	1,455.2	-
Combined Ratio	95.3%	95.2%	94.8%

## Credit Ratings (As of July 2017)

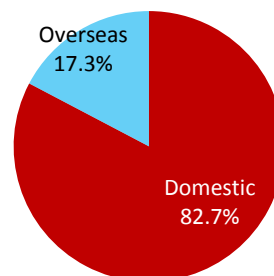
Moody's	S&P	R&I	JCR	A.M. Best
A1 (Stable)	A+ (Stable)	AA- (Positive)	AA+ (Stable)	A+ (Stable)

## Premiums in FY2016

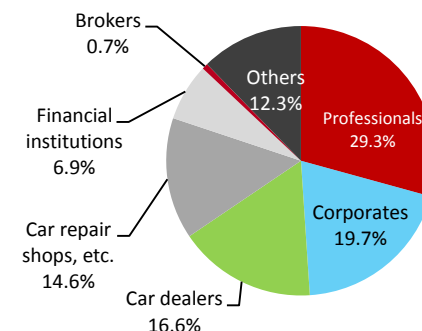
### By products (Net premiums)



### Domestic vs. Overseas<sup>\*1</sup> (Net premiums)



### By distribution channel<sup>\*2</sup> (Gross premiums)



<sup>\*1</sup> Overseas net premiums = Net premiums of overseas subsidiaries + Net premiums from overseas insurance contracts of Somo Japan Nipponkoa

<sup>\*2</sup> Gross premium on a performance evaluation basis, excluding saving-type insurance.

"Professionals", "Corporates", "Car dealers", "Car repair shops, etc.", "Financial institutions" and "Others" are all agents.

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1. Mid-term management plan	P1
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(1) Key points of management plan	P1
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(2) Business strategies for each business segment	P7
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(3) ERM, capital policy & asset management	P23
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2. About SOMPO Holdings	P29
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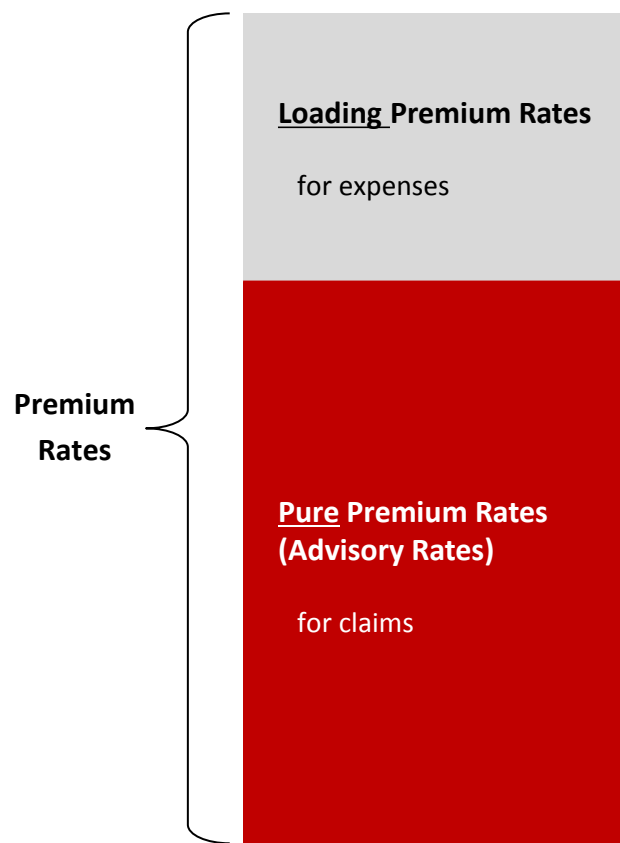
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Appendix
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P33
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# (Domestic P&C) Advisory Rating System in Japan

- ◆ Advisory rates are pure premium calculated based on a wide range of statistics, and member insurance companies\*<sup>1</sup> refer them when calculating their own premiums.
- ◆ The advisory rating system functions as a profit stabilizer.



## Advisory Pure Premium Rates

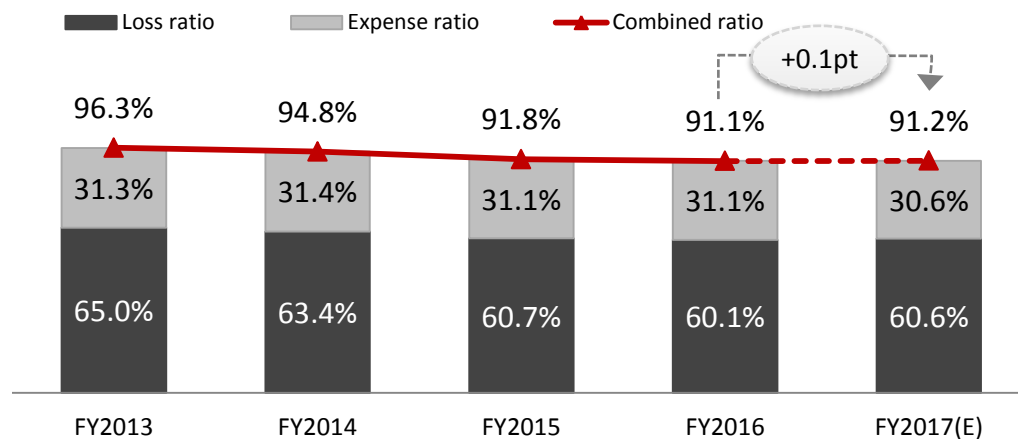
- Calculated for: fire insurance, personal accident insurance, automobile insurance, etc.
- Calculated by the GIROJ.\*<sup>2</sup>
- The GIROJ collects large quantities of data from member insurance companies.
- The GIROJ uses statistical approach to calculate the advisory pure premium rates and present it to member insurance companies.\*<sup>1</sup>
- Member insurance companies can use the advisory pure premium rates with respect to the pure premium rates as a basis of calculating their own premium rates.
- The GIROJ annually reviews whether the current advisory pure premium rates are at an appropriate level and reports the result to FSA. If they are judged to be inappropriate, the advisory rates are promptly recalculated.

\*<sup>1</sup> Member companies of the General Insurance Association of Japan

\*<sup>2</sup> General Insurance Rating Organization of Japan

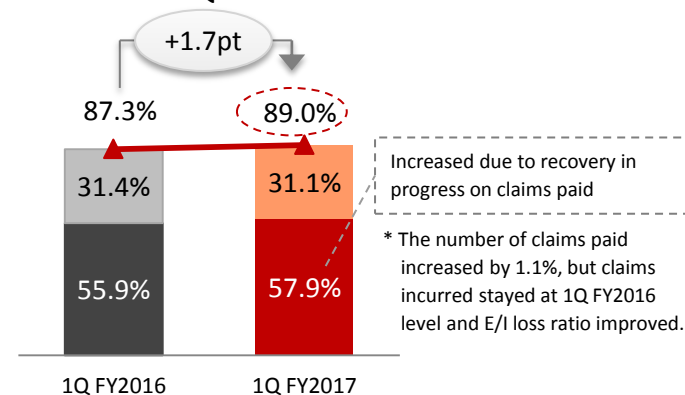
# (Domestic P&C) Automobile Insurance (1)

## Combined ratio of Sompo Japan Nipponkoa



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

## Trend of 1Q Results

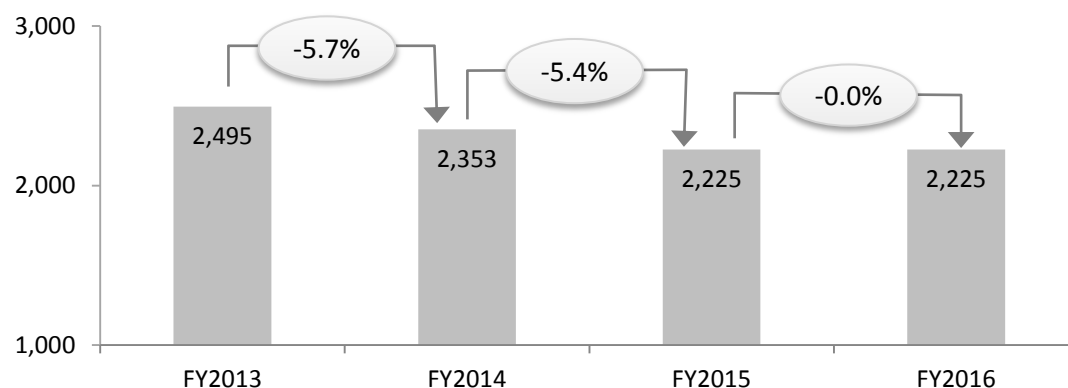


Increased due to recovery in progress on claims paid

\* The number of claims paid increased by 1.1%, but claims incurred stayed at 1Q FY2016 level and E/I loss ratio improved.

## The number of reported claims of Sompo Japan Nipponkoa

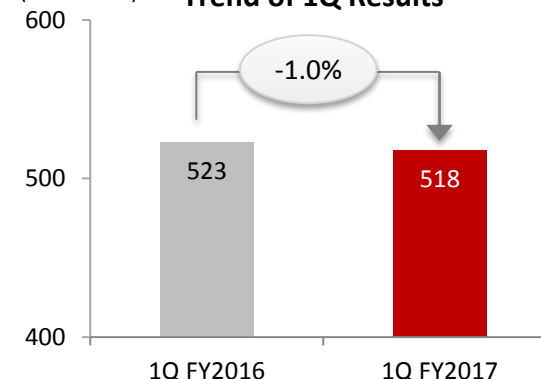
(Thousands)



\* Exclude certain natural disasters, whose incurred loss exceeds certain threshold.

(Thousands)

## Trend of 1Q Results



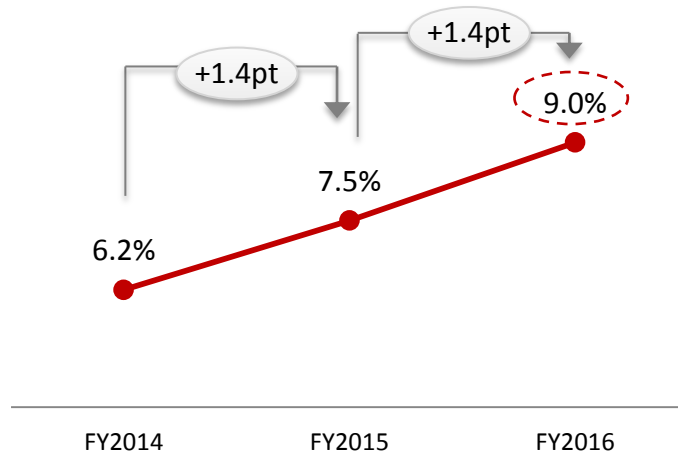
## (Domestic P&C) Automobile Insurance (2) - Direct Business

- ◆ Market share in terms of new business premiums rose to No. 2 in the direct market in FY2016.
- ◆ Policies in force are steadily increasing in line with the plan to be profitable in FY2020.

### Market share of Saison Automobile & Fire in direct automobile insurance market

Due to “ALSOK reliable accident site support service,” etc.  
new policies increased by 20% in FY2016  
(No. 2 in market share of new business premiums in the market\*)

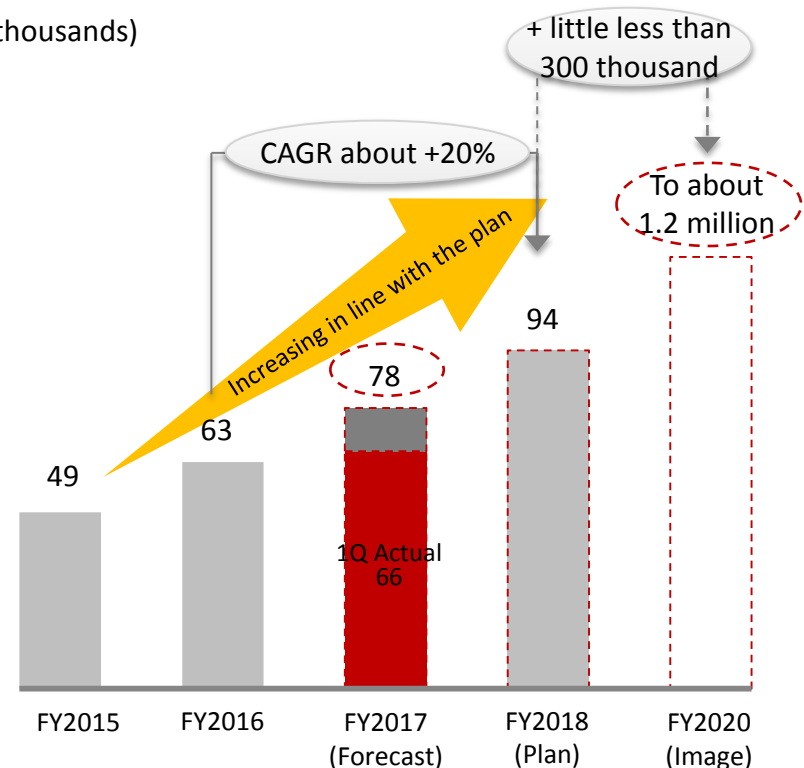
Market share in the direct market



\* Market share of new business premiums is estimation by Saison Automobile & Fire based on direct premiums.

### Policies in force of “Otona no Jidosha Hoken” of Saison Automobile & Fire

(10 thousands)



# (Overseas insurance) Business Results of Group subsidiaries

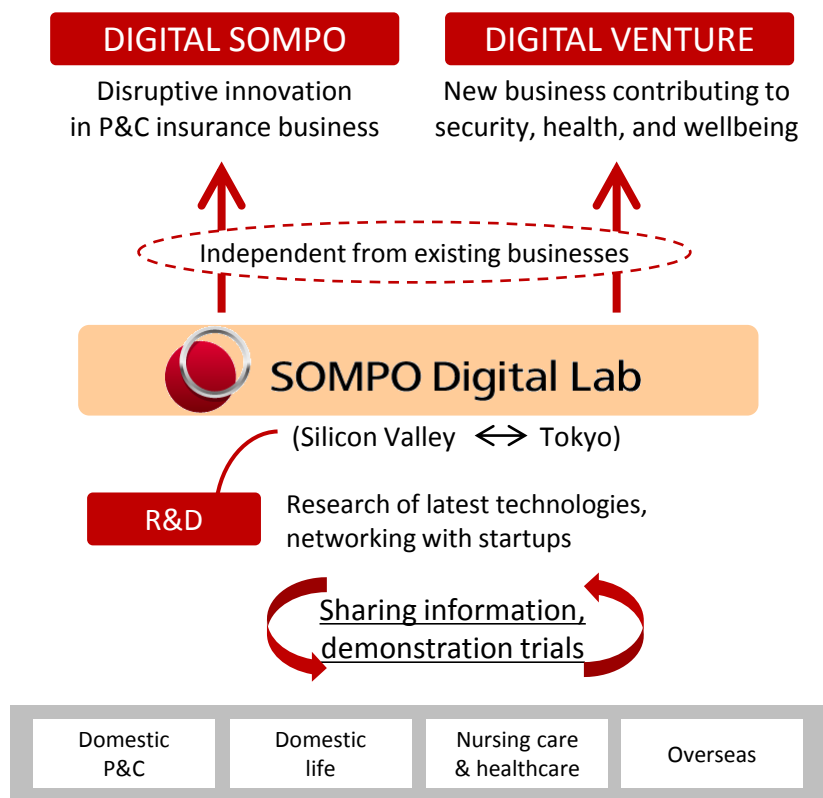
(Billions of yen)		Net premiums written			Net income			Key points	(Reference) Exchange rate	
		1Q		FY2017 (Forecast)	1Q		FY2017 (Forecast)		Mar. 2017 (YOY Change)	
		FY2017	Change		FY2017	Change				
North America	Sompo America	5.1	+0.3	24.7	0.5	+0.0	2.2	Loss ratio is in line with the plan, and performance is favorable.	112.19 JPY/USD	(-0.4%)
	SI (Endurance)	114.3	+114.3	309.8	7.6	+7.6	39.3	Despite hike of loss ratio, full year forecast is achievable (see next page for detail).	112.19 JPY/USD	(-0.4%)
Europe	SJNK Europe	0.2	+0.3	1.0	0.1	-0.2	0.0	Both top-line and bottom-line progressed faster than planned.	140.08 JPY/GBP	(-13.5%)
	Sompo Canopius	35.7	-8.7	126.5	1.2	-1.1	5.9	Despite ceasing to underwrite unprofitable policies, progress is steady against the plan.	112.19 JPY/USD	(-0.4%)
Asia & Middle East	SJ Sigorta (Turkey)	13.2	-0.8	48.6	1.5	+0.9	6.2	Despite the impact of foreign exchange, both underwriting and investment are steady.	30.72 JPY/TRY	(-22.7%)
	Sompo Singapore	1.9	+0.2	7.6	0.3	+0.1	0.5	Both top-line and bottom-line are steady.	80.27 JPY/SGD	(-3.6%)
	Berjaya Sompo (Malaysia)	3.0	-0.2	13.1	0.1	-0.0	0.6	Basically in line with the plan.	25.38 JPY/MYR	(-11.3%)
	Sompo Indonesia	1.0	+0.3	10.2	-0.0	-0.1	-0.0	Basically in line with the plan.	0.0084 JPY/IDR	(-1.2%)
	Sompo China NK China	1.1	-0.4	5.6	0.2	+0.2	-0.1	Basically in line with the plan.	16.29 JPY/RMB	(-6.3%)
	Sompo Hong Kong	0.9	+0.0	3.6	0.0	+0.0	0.4	Basically in line with the plan.	14.44 JPY/HKD	(-0.6%)
	Universal Sompo (India)	0.9	+0.3	4.5	0.0	+0.1	0.2	Basically in line with the plan.	1.75 JPY/INR	(+14.4%)
Latin America	Sompo Seguros (Brazil)	25.1	+5.0	109.1	-0.4	-0.5	2.7	Premiums increased in automobile insurance, etc. Implemented changes in underwriting conditions in response to L/R deterioration.	35.61 JPY/BRL	(+13.7%)
Other (non-consolidated)*		1.4	+0.5	7.0	-0.2	-0.2	0.2	-	-	-
Total		204.4	+111.4	671.9	11.3	+6.8	58.4	-	-	-

\* Sum of Sompo Thailand, PGA Sompo (Philippines), United Insurance (Vietnam), and Sompo Mexico. Sompo Indonesia was consolidated from 1Q FY2017.

# Digital Strategy

◆ Accelerate demonstration trials utilizing digital technologies beyond conventional frameworks.

## Organization structure for digital strategy



## Examples of utilization of digital technologies

Stages of development

Research/Planning

Demonstration trials

Launch

New business model

Customer contacts

● Block chain  
(underwriting)



● Wearable  
(life products and services)



● Video chat  
(claim service)



Business efficiency

● Artificial intelligent  
(call center)



● Voice recognition  
(nursing care)



● Image recognition  
(analysis of certificate)



● Drone  
(loss adjustment)



# Governance

- ◆ Achieve both robust governance and agile and flexible execution of operation.
- ◆ Established unique governance structure in overseas insurance business (developed countries).

## Governance structure of Sampo Holdings (as of July 1, 2017)

### Robust governance

- Diverse plural outside directors  
(4 out of 12 directors are outside directors.)
- Voluntary establishment of Nomination and Compensation Committee  
(4 out of 5 members are outside directors. Committee is chaired by a outside director)

### Proactive engagement of outside directors

- Diverse background: 2 executives, 1 lawyer, and 1 professor  
(2 women, 1 non-Japanese)
- Integrating preliminary briefing session and Board of Directors meeting
- 98% of attendance rate (FY2016)



### Agile and flexible execution of operation

- Agile decision-making by delegating authority to business owners
- Introduction of CxO\* system (April 2017), appointing heads of functions in the group

\* CFO (finance), CRO (risk management), CACO (internal control and compliance), CIO (IT system), CDO (digital), CHRO (human resource)

### Governance of overseas insurance business (developed countries)

- Out of 3 directors of a management company of business in developed countries, Sampo Holdings sends 2 directors to keep effectiveness of governance.
- Delegating authority to Board of Directors of Sampo International to realize agile decision-making.





# Overview of 1Q FY2017 Results and Business Forecasts for FY2017 – Consolidated Basis

(Billions of yen)	1Q FY2016	1Q FY2017	Change	FY2017 (Forecast)	Change (against FY2016)
Consolidated ordinary income	850.4	1,014.5	+164.1 (+19.3%)	-	-
Net premiums written (P&C)	654.7	777.7	+123.0 (+18.8%)	2,908.0	+ 357.6(+ 14.0%)
Life insurance premiums	72.9	81.6	+8.7 (+11.9%)	339.0	+ 15.1(+ 4.7%)
Consolidated ordinary profit	31.3	36.9	+5.5	259.0	+ 17.2
Sompo Japan Nipponkoa	29.3	36.3	+6.9	227.0	- 3.4
Himawari Life	3.1	3.4	+0.2	10.0	- 2.9
Nursing care (SOMPO Care Message and Care Next)	-0.2	0.8	+1.1	2.9	+ 4.1
Overseas subsidiaries	4.7	3.9	-0.8	59.4	+ 36.7
Consolidated adjustment <sup>*1</sup> /others	-5.7	-7.6	-1.9	-40.3	- 17.2
Consolidated net income <sup>*2</sup>	19.9	27.0	+7.0	183.0	+ 16.5
Sompo Japan Nipponkoa	20.0	24.3	+4.3	157.0	- 7.4
Himawari Life	2.0	2.1	+0.1	6.0	- 2.3
Nursing care (SOMPO Care Message and Care Next)	-0.4	0.5	+1.0	2.0	+ 4.9
Overseas subsidiaries	4.3	4.8	+0.5	50.5	+31.0
Consolidated adjustment <sup>*1</sup> /others	-6.0	-4.9	+1.1	-32.5	- 9.6
(Reference ) Adjusted profit (by business)	37.7	52.7	+15.0	205.0	+ 21.7
Domestic P&C insurance	27.2	33.7	+6.5	114.9	- 20.0
Domestic life insurance	6.4	6.9	+0.5	28.0	- 1.1
Nursing care & healthcare, etc.	-0.3	0.7	+1.0	3.4	+ 4.1
Overseas insurance	4.4	11.3	+6.8	58.4	+ 38.4

\*1 "Purchase method" accounting was adopted upon the establishment of Sompo Holdings. The figures therefore include adjustments for gains/losses on sales, etc.

\*2 Consolidated net income denotes net income (loss) attributable to shareholders of the parent. (The same shall apply hereafter.)

# Overview of 1Q FY2017 Results and Business Forecasts for FY2017 – Major Subsidiaries

## Sompo Japan Nipponkoa

(Billions of yen)	1Q FY2016	1Q FY2017	Change	FY2017 (Forecast)	Change (against FY2016)
Net premiums written	549.8	559.7	+9.9 (+1.8%)	2,205.4	+ 39.8 (+ 1.8%)
(excl. CALI, household earthquake)	481.8	486.9	+5.0 (+1.0%)	1,917.9	+ 48.3 (+ 2.6%)
Loss ratio	60.2%	60.3%	+0.1pt	63.1%	- 0.1pt
(excl. CALI, household earthquake)	55.9%	57.4%	+1.5pt	59.9%	+ 0.1pt
E/I loss ratio (excl. CALI, household earthquake)	58.0%	58.3%	+0.3pt	60.1%	+ 0.5pt
Net expense ratio	32.6%	32.5%	-0.1pt	31.7%	- 0.2pt
(excl. CALI, household earthquake)	33.8%	34.0%	+0.1pt	33.2%	- 0.5pt
Combined ratio	92.8%	92.8%	-0.0pt	94.8%	- 0.3pt
(excl. CALI, household earthquake)	89.8%	91.4%	+1.6pt	93.1%	- 0.4pt
Underwriting profit	12.7	17.6	+4.9	115.8	+ 3.3 (+ 3.0%)
Investment profit	20.7	25.0	+4.3	128.6	- 3.7 (- 2.8%)
Ordinary profit	29.3	36.3	+6.9	227.0	- 3.4 (- 1.5%)
Net income	20.0	24.3	+4.3	157.0	- 7.4 (- 4.5%)
Adjusted profit	28.0	34.8	+6.7	119.3	- 19.2 (- 13.9%)

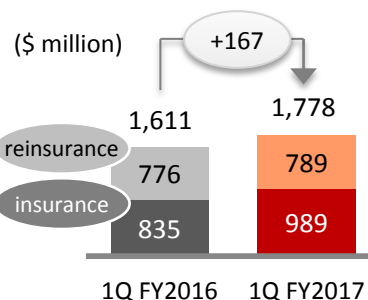
## Himawari Life

(Billions of yen)	1Q FY2016	1Q FY2017	Change	FY2017 (Forecast)	Change (against FY2016)
Annualized new premium	9.6	9.1	-0.4	40.0	- 10.2 (- 20.4%)
Premium and other income	98.2	104.6	+6.3	439.3	+ 19.8 (+ 4.7%)
Investment profit (general account)	10.4	10.1	-0.3	44.0	+ 0.6 (+ 1.6%)
Ordinary profit	4.4	4.5	+0.0	13.9	- 2.9 (- 17.4%)
Net income	2.0	2.1	+0.1	6.0	- 2.3 (- 27.9%)
Adjusted profit	6.4	6.9	+0.5	28.0	- 1.1 (- 3.8%)

# Overview of 1Q FY2017 Results and Business Forecasts for FY2017 – SI (Endurance)

## Gross premiums written

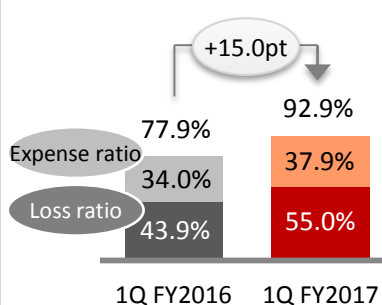
Steadily expanding mainly in insurance business.



1Q FY2016 1Q FY2017

## Combined ratio

Despite increased year-on year, remained in lower 90% level.



1Q FY2016 1Q FY2017

(\$ million)

	1Q FY2016	1Q FY2017	Change	(Reference) FY2017 (Forecast)
Gross premiums written	1,611	1,778	+167	4,853
Net premiums written	938	1,019	+80	2,761
Net premiums earned	553	547	-6	2,568
Net losses and loss expenses	243	301	+57	1,495
Expense	187	207	+19	805
Loss ratio	43.9%	55.0%	+11.1pt	58.2%
Expense ratio	34.0%	37.9%	+3.9pt	31.4%
Combined ratio	77.9%	92.9%	+15.0pt	89.6%
Underwriting income	122	-17	-139	205
Net investment income	11	52	+41	221
Net income	106	15	-90	288
+) Net foreign exchange gains	-9	-1	+8	-
+) Net realized and unrealized gains	-12	-4	+8	-
+) Net impairment losses	0	0	-0	-
+) Income tax expense	-	0	+0	-
+) One-time merger cost	-	56	+56	62
Adjusted profit (Operating Income)	84	67	-16	350

Progress is slow due to timing of recognizing net premiums earned in crop insurance, but steady against the plan.

Rose against the last fiscal year, when there were few losses, but basically in line with the plan.

Excluded one-time merger cost as a special factor

\* One-time merger cost is excluded as a special factor in expense, expense ratio, and combined ratio.

\* Denominator of loss ratio, expense ratio and combined ratio is net premiums earned.

While combined ratio rose against the last fiscal year, full year forecast is achievable because gross premiums are increasing as planned.

## **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.

## **Contacts**



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