

Progress of Mid-term Management Plan

November 27, 2017
Sompo Holdings, Inc.



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2. Businesses

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Mid and long term strategy of SOMPO Holdings

- ◆ Never change our vision evolving to global top 10 insurance group.
- ◆ With proactive shareholder returns, maintain capital buffer needed to execute our strategies.
- ◆ Build a sustainable growth cycle by capturing opportunities to execute growth investments, with organic growth as our fundamental premise.

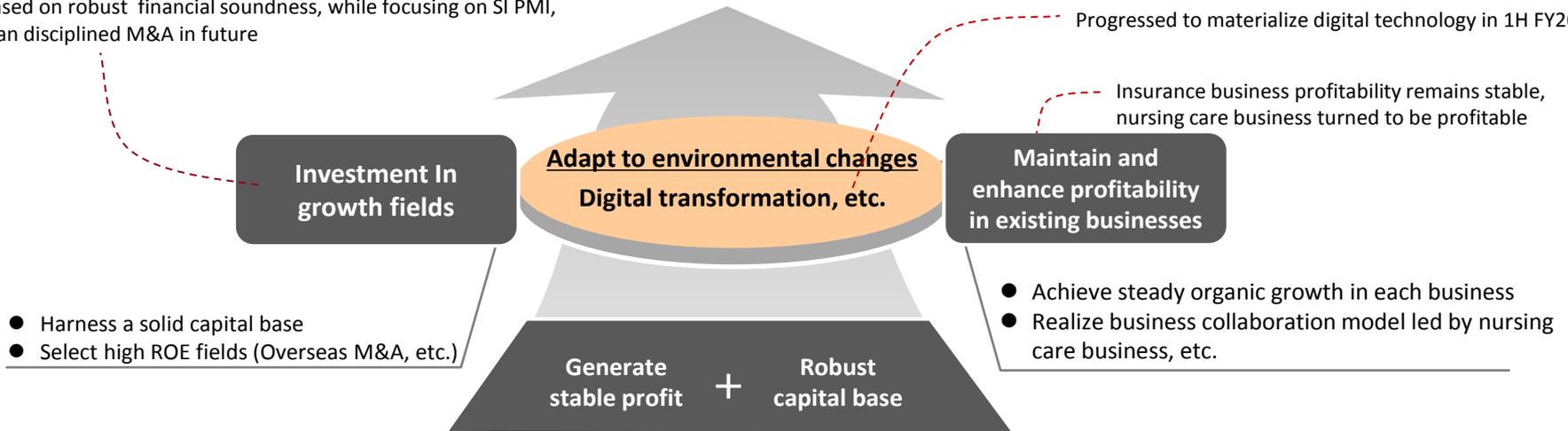
Our vision of growth strategy

	To be global top 10 after FY2020	FY2017 (forecast)	
Adjusted consolidated profit	¥300 billion level	¥195 billion	✓ Several measures progressed in line with plan, maintained profit increase
Adjusted consolidated ROE	Over 10%	7.6%	✓ While auto insurance rate revision, plan to achieve targets with proper measures
Shareholder return	Enhance shareholder return in accordance with growth in profit (aim at total payout ratio of 50%)		

Based on robust financial soundness, while focusing on SI PMI, plan disciplined M&A in future

Progressed to materialize digital technology in 1H FY2017

Insurance business profitability remains stable, nursing care business turned to be profitable



1. Group management

2. Businesses

2-1. Domestic P&C insurance

2-2. Domestic life insurance

2-3. Nursing care & healthcare, etc.

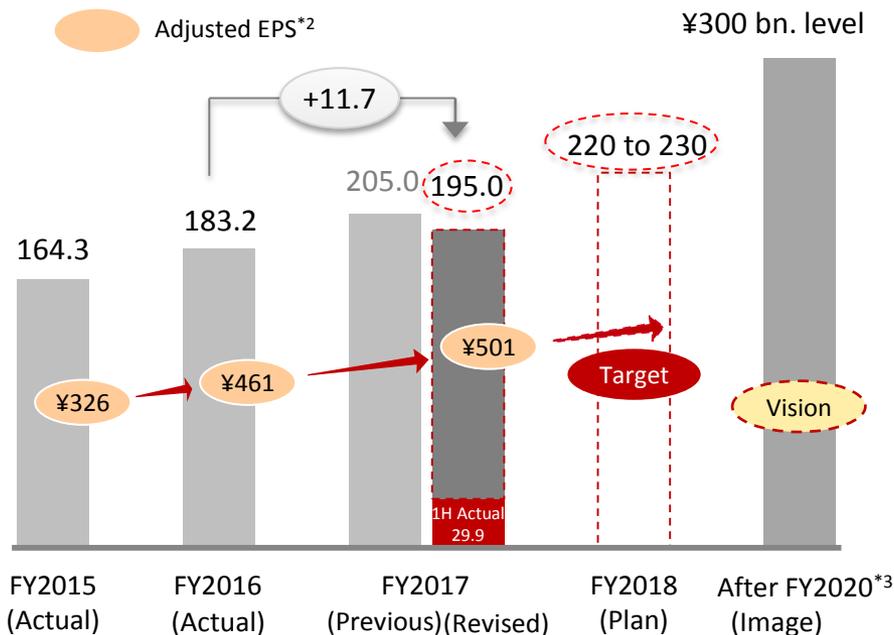
2-4. Overseas insurance

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

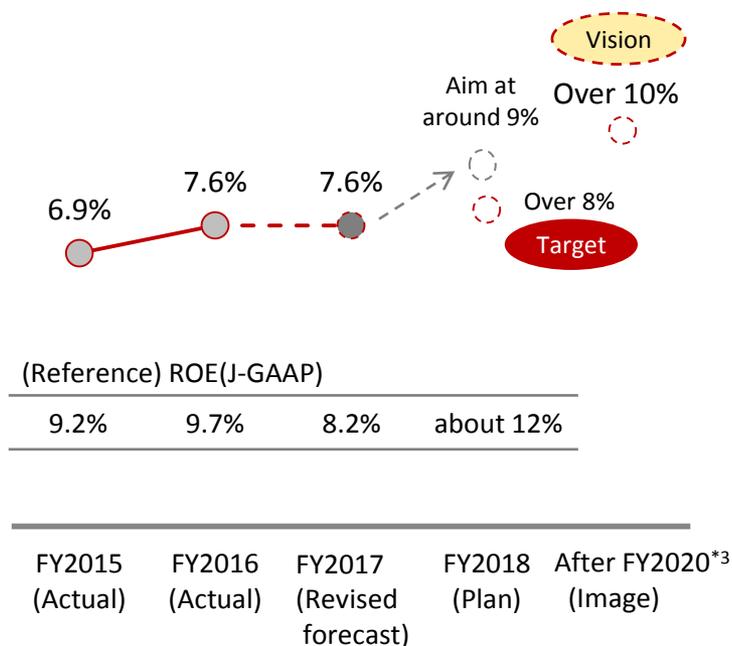
- ◆ Adjusted consolidated profit (adjusted EPS) has been expanding steadily toward achieving FY2018 targets.
- ◆ Based on accumulated profit, adjusted consolidated ROE is expected to improve further.

Adjusted consolidated profit*1

(Billions of yen)



Adjusted consolidated ROE*1



*1 See page 13 for definitions of adjusted consolidated profit and adjusted consolidated ROE.

*2 Adjusted EPS = adjusted consolidated profit / the number of issued stocks (excluding portion of share buy-back, etc.)

*3 We will set targets in FY2020, after consideration by end of FY2018

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

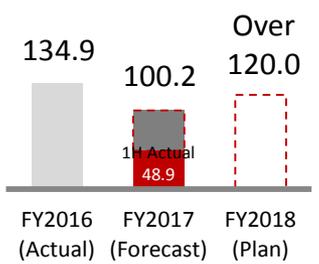
◆ Base operations in each business are progressing steadily, aiming at achieving FY2018 targets.

Adjusted profit by segment and key factors

Adjusted profit
(Billions of yen)

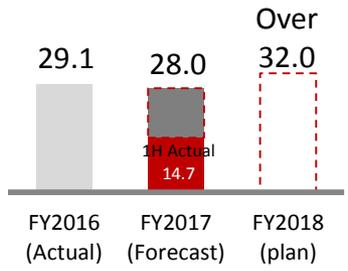
Domestic P&C insurance

Base combined ratio excluding one-time factors remains stable. Expected to achieve the plan.



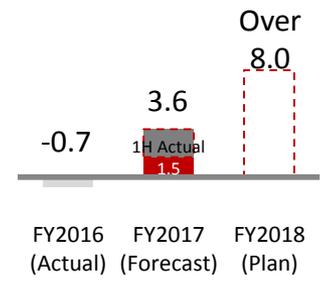
Domestic life insurance

Policies in force expand. Toward achieving the targets, progressed steadily.



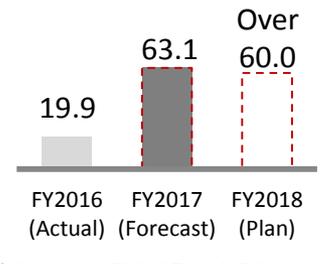
Nursing care & healthcare, etc.

Occupancy rate of nursing facilities has been improving. Expected to achieve the plan.



Overseas insurance

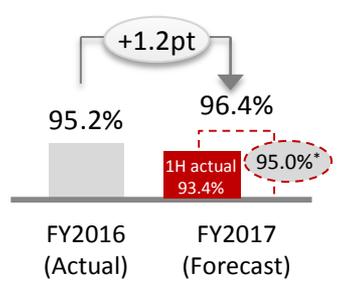
Based on SI profit accumulation, expected to outperform the plan.



Key indicators
target range
FY2018

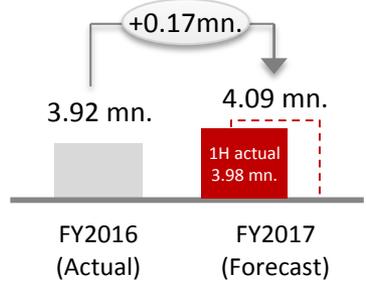
Combined ratio

92 to 94%



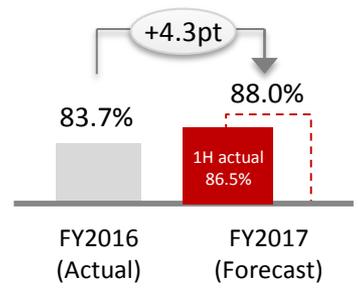
Policies in force

Over 5 million



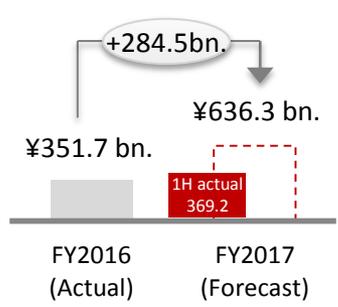
Occupancy rate*

Over 90%



Premiums written

Over ¥750 bn.



* 1H actual FY2017: - ¥35.2 billion

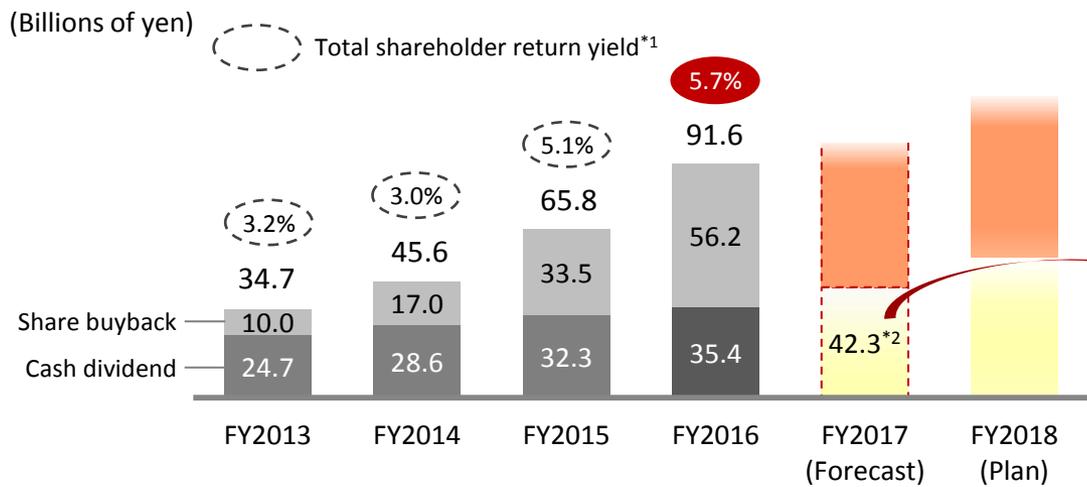
* Excluding hurricanes in North America and other large losses

* Sum of SOMPO Care Message and SOMPO Care Next

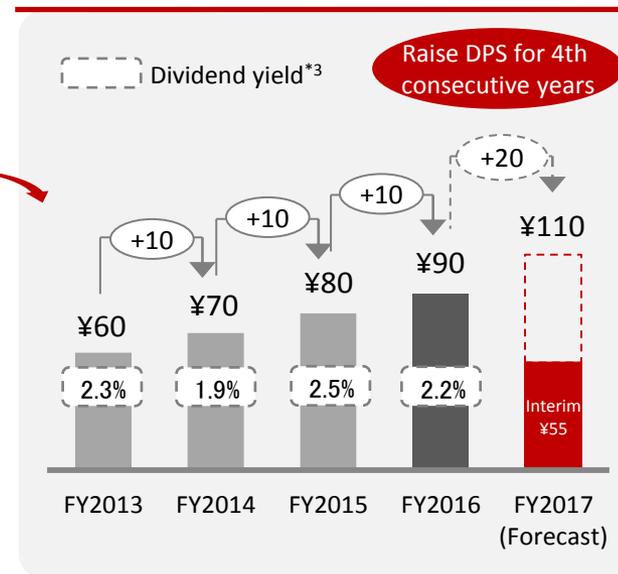
Progress of mid-term management plan (3) – Shareholder return

- ◆ Unchanged shareholder return policy, aim at enhance the total amount of shareholder return in accordance with profit expansion.
- ◆ Our policy is to determine the balance of dividends and share buybacks while closely monitoring the stock price level, dividend yield and related factors.

History of shareholder returns



(Reference) DPS



Adjusted consolidated profit	15.8	90.8	132.0	183.2	195.0	220 to 230
Total payout ratio	220%	50%	50%	50%	—	—
(Reference) share price (End of fiscal year)	¥2,652	¥3,735	¥3,188	¥4,079	—	—

Shareholder return policy

Aim at attractive shareholder return through stable dividend and flexible share buyback, taking into account dividend yield or DPS growth. (Target level of total payout ratio: around 50%*4 over medium term.)

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

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

*2 The interim dividend is ¥21.3 billion (approved)

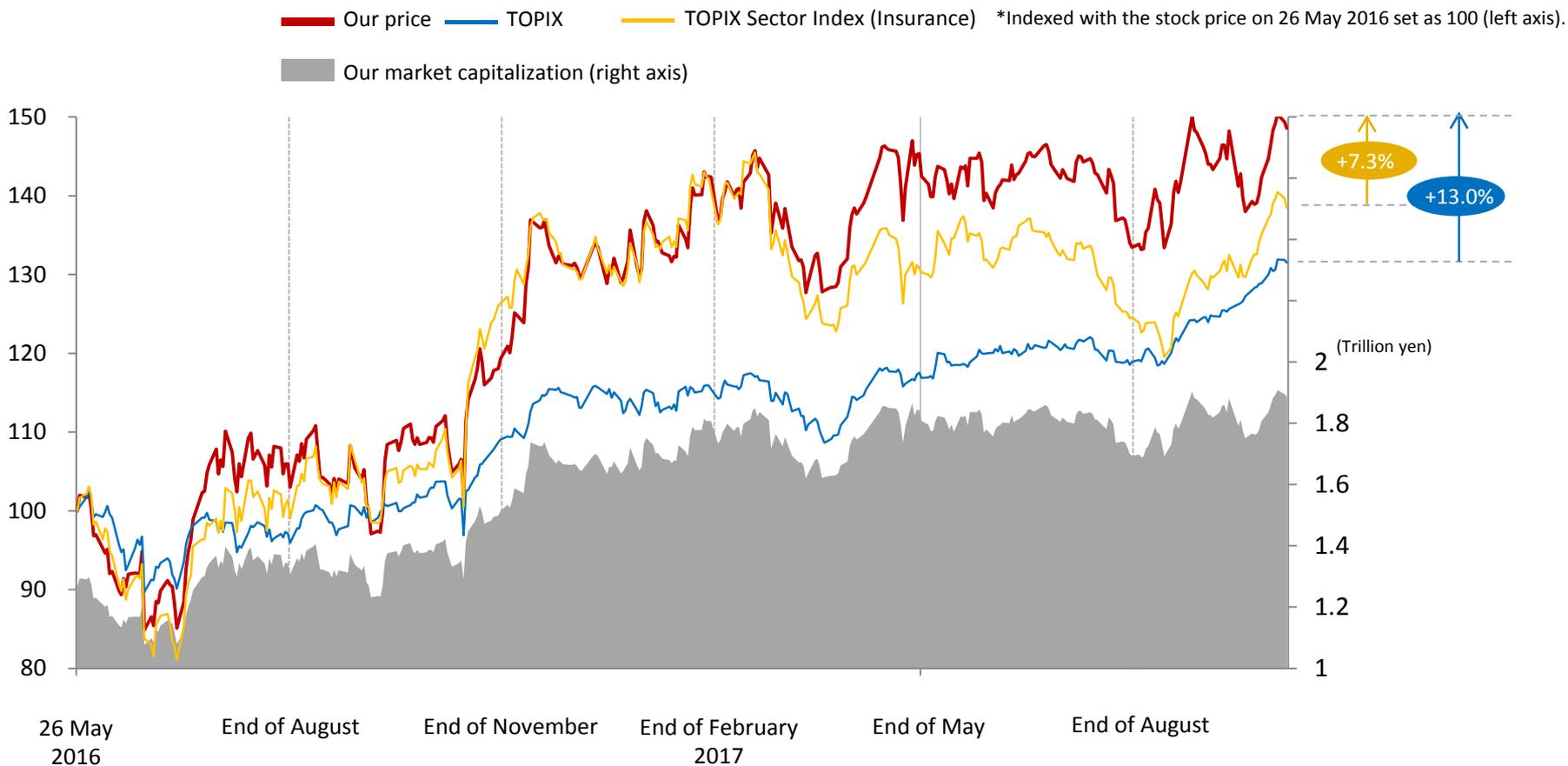
*3 Dividend yield = Cash dividend / Market cap. as of end of FY

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

(Reference) Progress of mid-term management plan (4) – Stock price

◆ Since announced mid-term management plan on 26 May 2016, our stock price has progressed steadily.

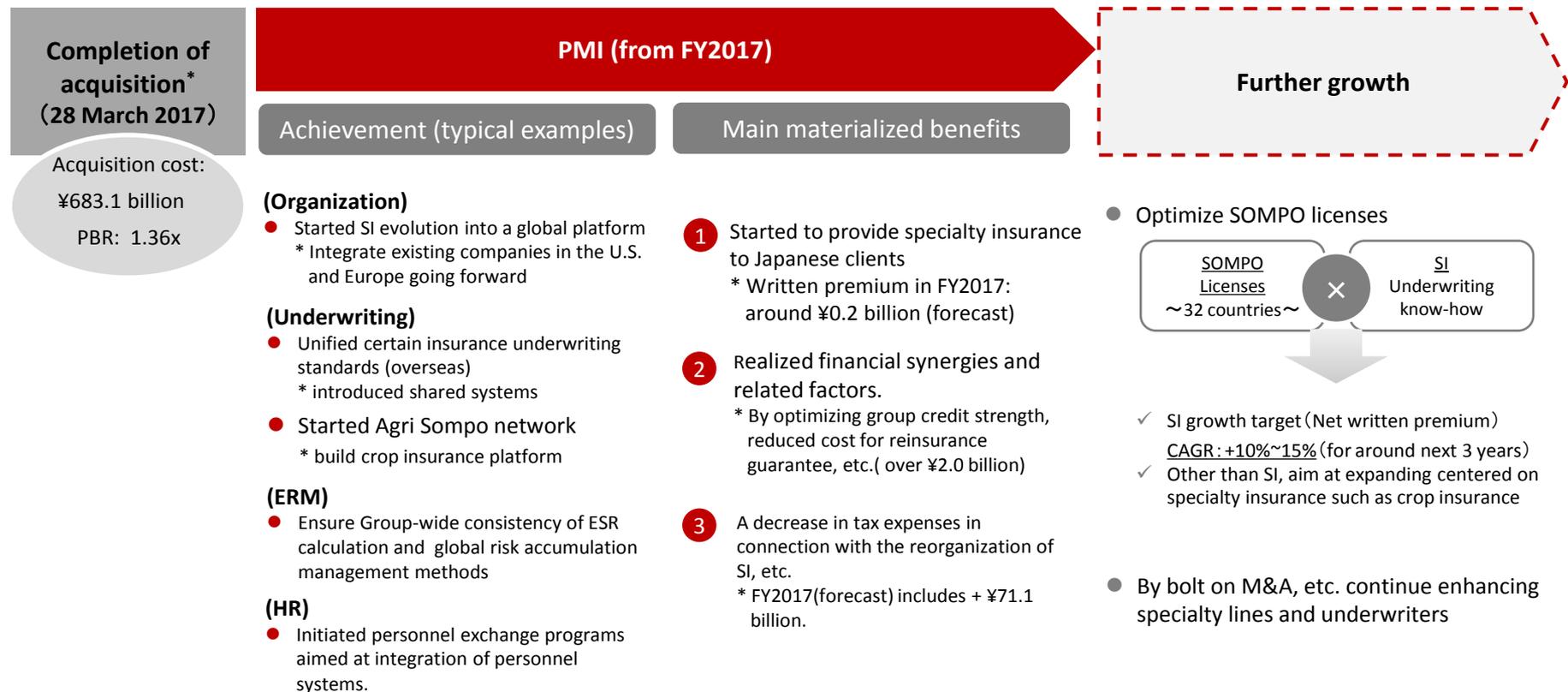
Progress of stock price (from 26 May 2016 to 31 October 2017)



(Sompo International) PMI and further growth

- ◆ Post-Merger Integration (PMI) progressed steadily. While advanced measures such as optimizing the organization, quantitative benefits started to materialize as well.
- ◆ Evolve SI into a global platform of the Company, while targeting further growth of the group.

Advanced PMI and evolution into a global platform



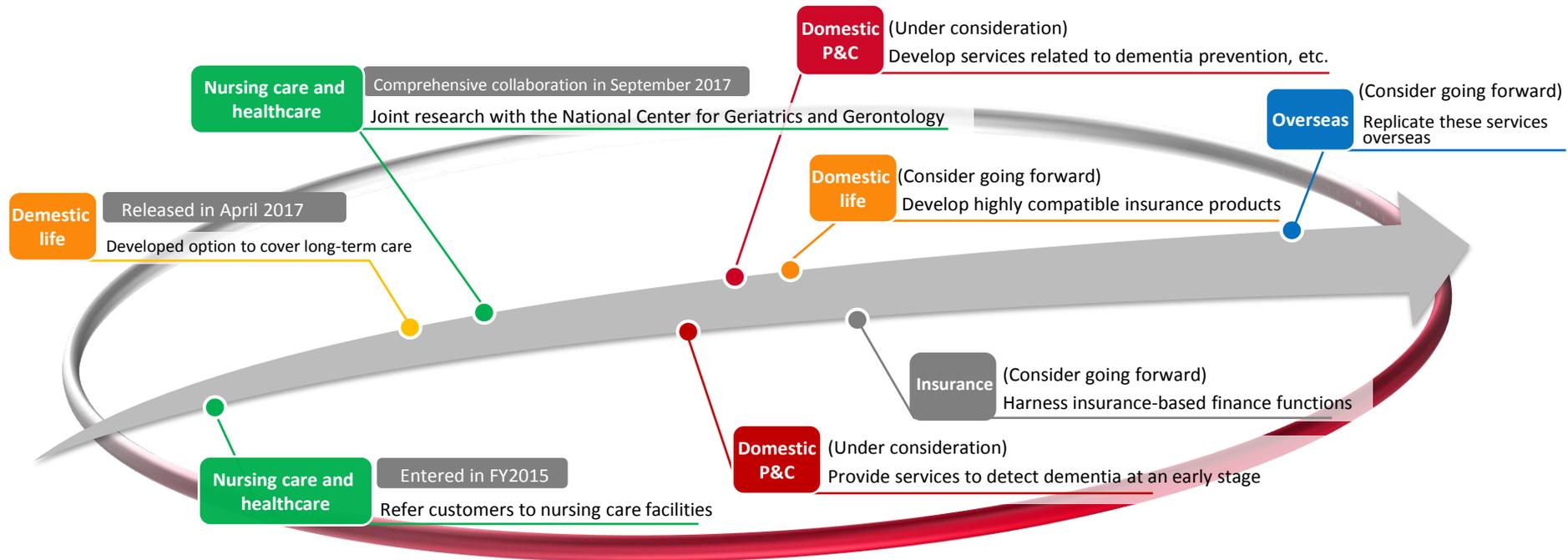
* On the completion date of the acquisition, Endurance changed its brand to Sompo International (We use SI hereafter).

New business collaboration model targeting the evolution of the Group (example)

◆ Link organically between the business platforms of the P&C and life insurance businesses, where we have extensive expertise, and the nursing care business we have entered into.

Development led by nursing care business (image)

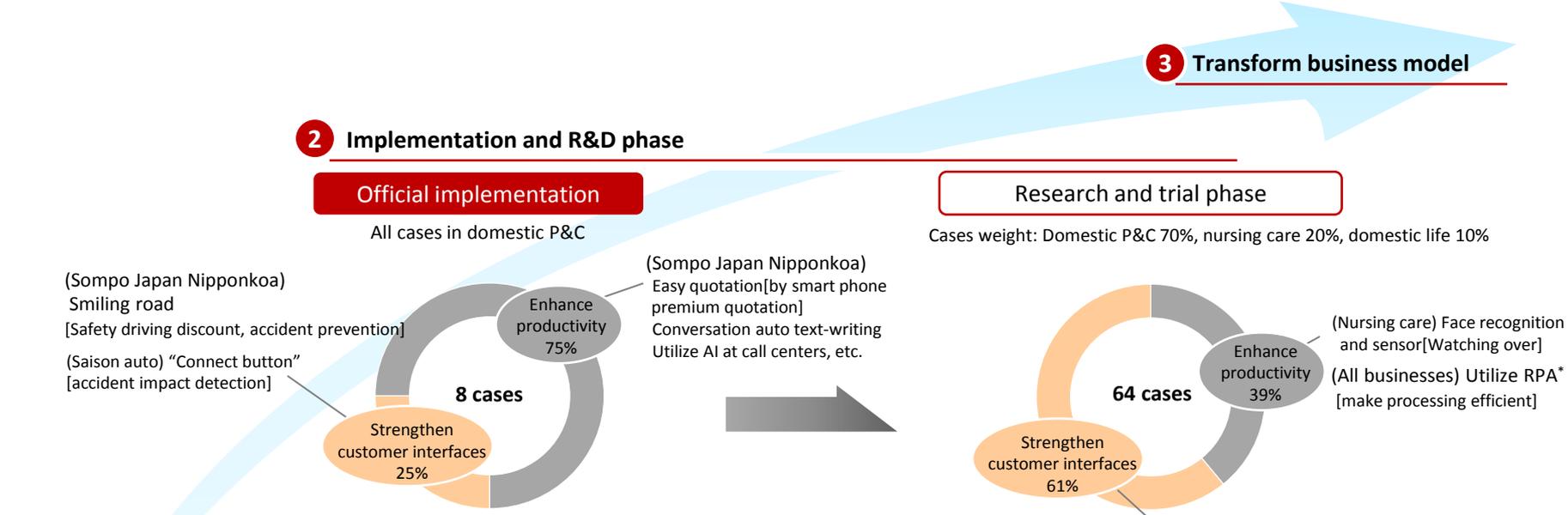
Enhance profitability while developing high-value-added Group services by organically linking the nursing care business and insurance businesses using services related to extending healthy life expectancy, such as dementia prevention.



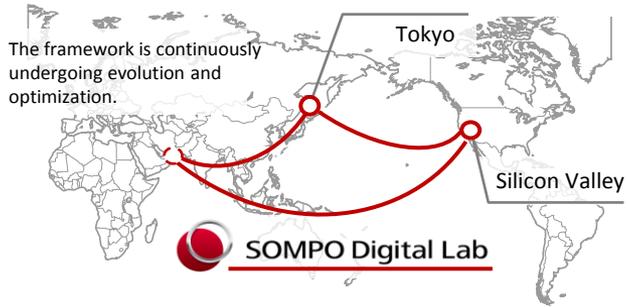
Digital transformation

- ◆ First, implement digital technologies that help to enhance productivity, primarily in the domestic P&C insurance business.
- ◆ Research and trials designed to strengthen customer interfaces, etc. are accelerating, including in the nursing care and domestic P&C insurance businesses.

Development of digital strategy



1 Enhance digital strategy structure

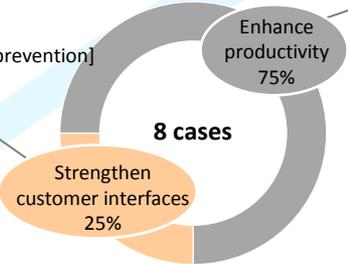


2 Implementation and R&D phase

Official implementation

All cases in domestic P&C

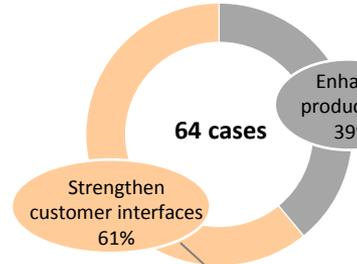
(Sompo Japan Nipponkoa)
Smiling road
[Safety driving discount, accident prevention]
(Saison auto) "Connect button"
[accident impact detection]



(Sompo Japan Nipponkoa)
Easy quotation[by smart phone premium quotation]
Conversation auto text-writing
Utilize AI at call centers, etc.

Research and trial phase

Cases weight: Domestic P&C 70%, nursing care 20%, domestic life 10%



(Nursing care) Face recognition and sensor[Watching over]
(All businesses) Utilize RPA* [make processing efficient]

(Sompo Japan Nipponkoa)
Utilize Big data [accident and insurance data]
(Life) Wearable device[support health]
(Life) Utilize AI [streamlining of business negotiations]

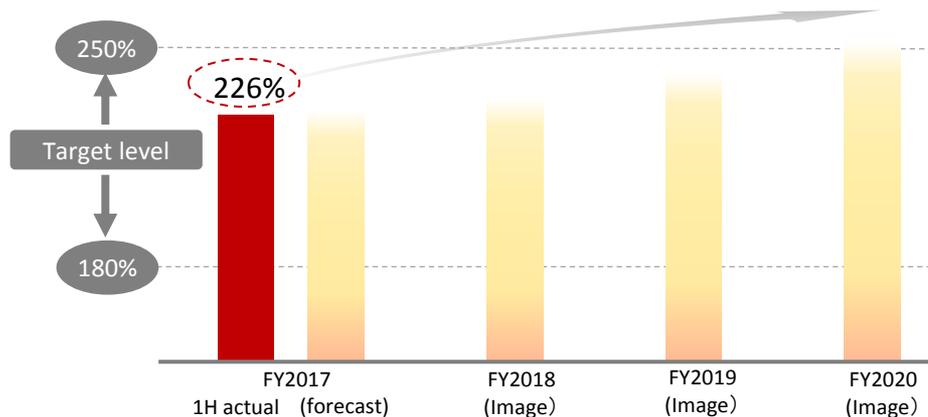
* RPA (Robotics Process Automation) : automation of operation by robot, etc.

Robust financial base and ERM for growth strategy

- ◆ Achieve the stable growth of the Group based on the fundamental premise of maintaining and enhancing a robust financial base by implementing ERM thoroughly.

ESR (99.5%VaR) progress forecast

Organic increases in ESR in the range of +5% to nearly 10% are expected every year mainly through the steady reduction of strategic-holding stocks, in addition to retained earnings, while proactively implementing shareholder returns. Our financial position will enable the further investments in growth fields, etc.

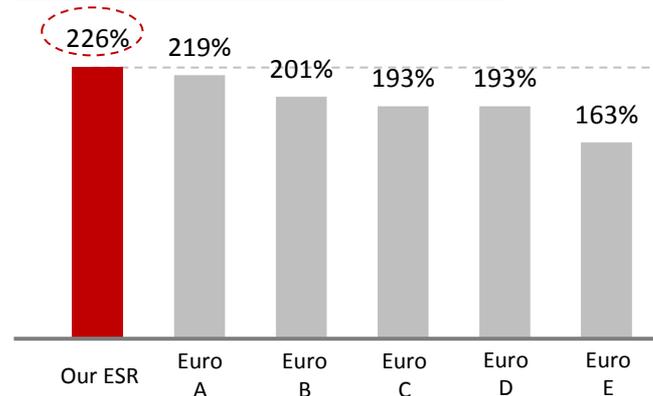


Implement ERM thoroughly

(Our main initiatives)

- Reform a global ERM framework
- Support appropriate management decision-making on all fronts, including product development and M&A activity.
- Reflect the return on risk (ROR) indicator in compensation for officers and other remuneration, etc.
- Accelerate Group-wide penetration of an ERM culture

(Reference) Comparison in ESR with European insurance companies*



* SOMPO uses ESR (99.5%VaR) as of end of September 2017.

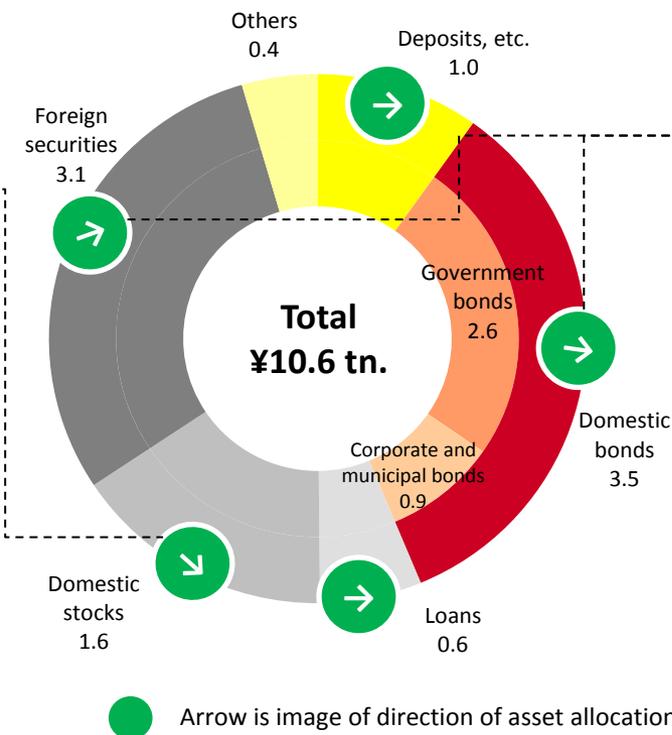
* Other companies use solvency ratio based on Solvency II as of end of June 2017.

Asset Management

- ◆ Remain unchanged policy to keep reducing strategic-holding stocks.
- ◆ Policy of promoting ALM, considering characteristics of liability, liquidity, safety, etc.

Status of asset management

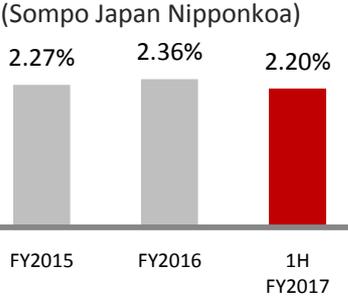
<Balance of investment assets (Trillions of yen)> *end of September 2017, group-wide basis



Measures for low interest rate

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

Income yield*

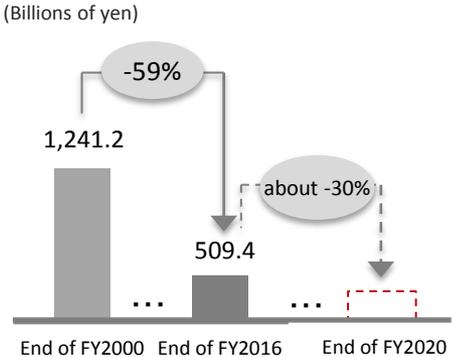


* Excluding group companies' stocks, etc.

Reduction of strategic-holding stocks

Plan to reduce ¥100 billion per annum on fair value basis.
* By 1H FY2017, reduced ¥81.0 billion (including hedges)

Balance of strategic-holding stocks on book value (Plan and actual)



* End of 1H 2017: balance ¥497.4 billion

(Reference) Numerical Management Targets, etc.

Numerical management targets

(Billions of yen)	FY2016	FY2017		FY2018
	(Actual)	(1H actual)	(forecasts) Announced on November 2017	(Plan) Reviewed and Announced on November 2016
Domestic P&C insurance* ¹	134.9	48.9	100.2	Over 120.0
Domestic life insurance	29.1	14.7	28.0	Over 32.0
Nursing care & healthcare, etc.	-0.7	1.5	3.6	Over 8.0
Overseas insurance	19.9	-35.2	63.1	Over 60.0
Total (Adjusted consolidated profit)	183.2	29.9	195.0	220.0 – 230.0
Adjusted consolidated ROE*²	7.6%	--	7.6%	Over 8%
(Reference) ROE (J-GAAP)	9.7%	--	8.2%	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*³

*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)

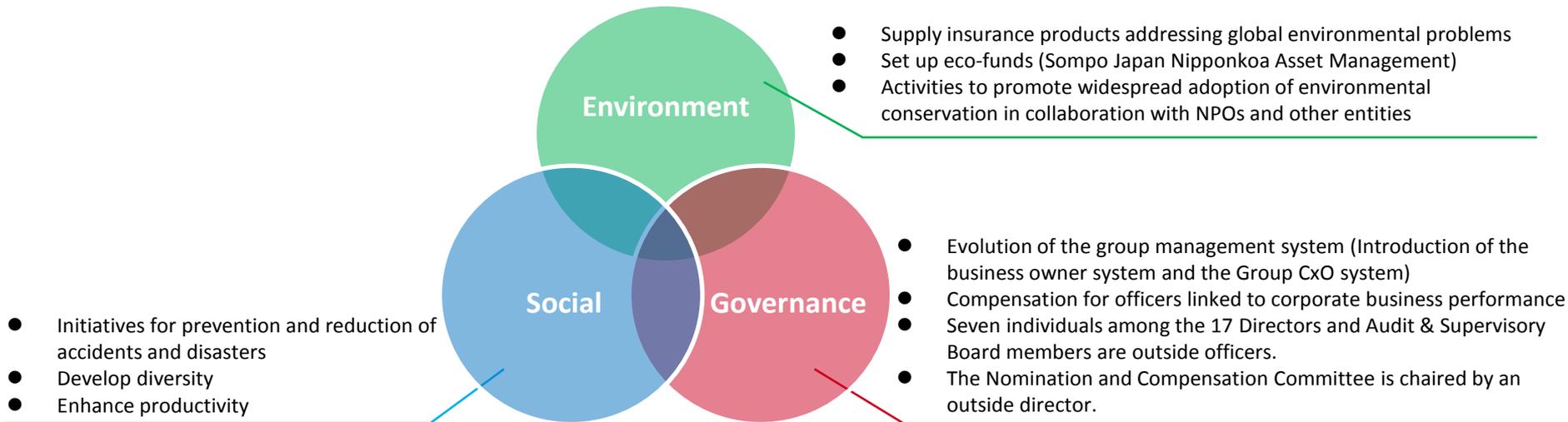
+ Adjustment of underwriting reserve (after tax) + Non-depreciated acquisition cost (after tax)

*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.). Forecasts for the overseas insurance business in FY2017 include a decrease in tax expenses in connection with the reorganization of SI.

(Reference) ESG

◆ Strive to increase the sophistication of information disclosure through integrated annual report and other means, while proactively pursuing ESG initiatives.

Typical initiatives



Topics

Inclusion in Socially Responsible Investment (SRI) indexes and other indexes

- Selected for inclusion in the Dow Jones Sustainability Index for 18 consecutive years (longest-running record for a Japanese company).



- Adopted by all ESG indexes selected by the Government Pension Investment Fund (GPIF)

1. FTSE Blossom Japan index
2. MSCI Japan ESG select leaders index
3. MSCI Japan Empowering Women Index

Awarded for the highest rank

- Selected for inclusion in the highest rank (A rank) of the CDP* climate change list for two consecutive years.



※International project on climate change strategy, etc.

1. Group management

2. Businesses

2-1. Domestic P&C insurance

2-2. Domestic life insurance

2-3. Nursing care & healthcare, etc.

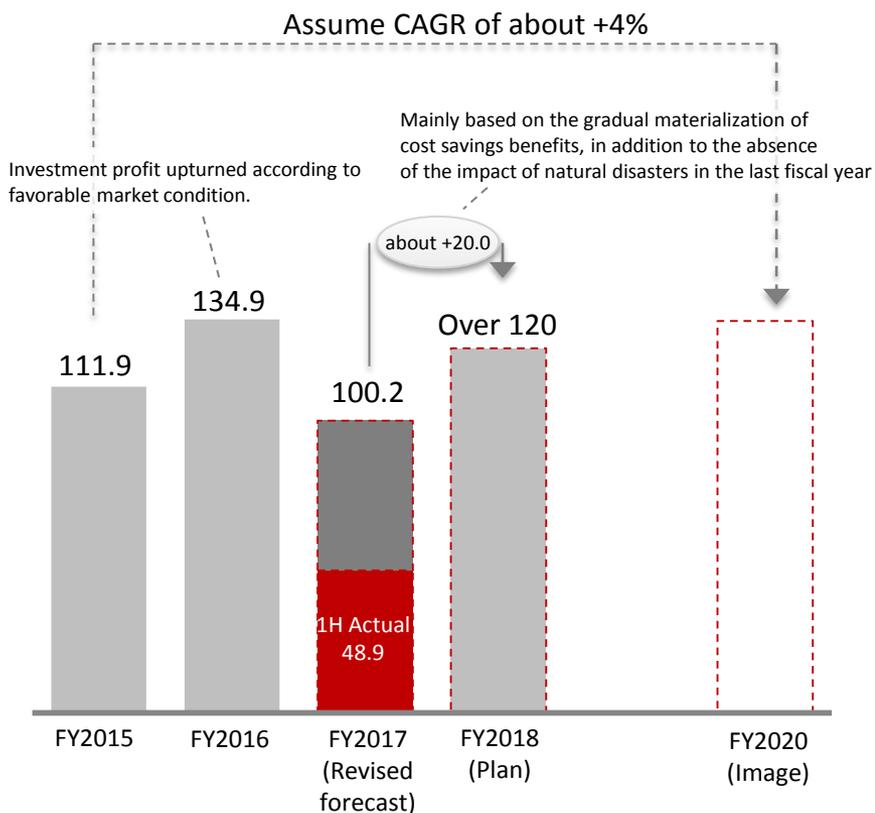
2-4. Overseas insurance

Progress of Domestic P&C Insurance

- ◆ In 1H FY2017, base Profitability remains stable, while the impact of hurricanes in North America, etc.
- ◆ Expected to achieve the targets of adjusted profit FY2018, mainly due to the gradual materialization of cost savings benefits, etc.

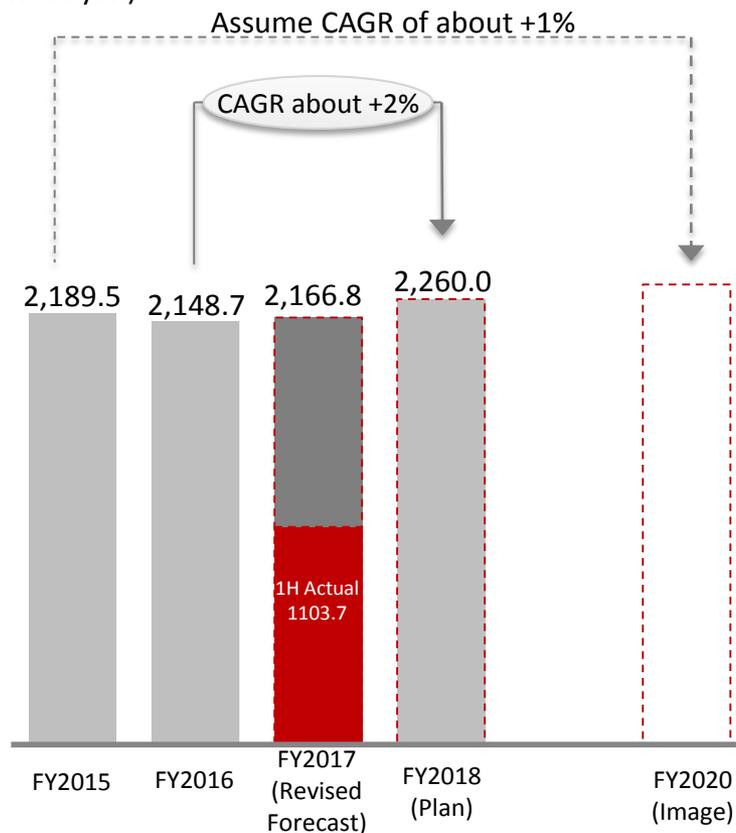
Plan for adjusted profit

(Billions of yen)



Net premiums written (Sompo Japan Nipponkoa)*

(Billions of yen)



* Presented by adjusting reinsurance policies scheduled for successive transfer to overseas subsidiaries: Deducting the portion of the total transfer amount (approx. ¥30.0billion) that has yet to be transferred in each fiscal year.

Combined ratio (Sompo Japan Nipponkoa)

◆ Net loss ratio is expected to be steady, net expense ratio projects to decrease slightly.

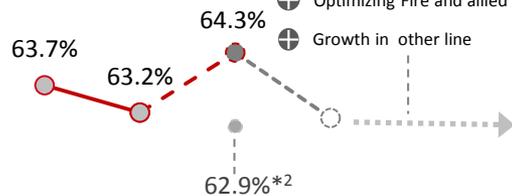
Combined ratio (Sompo Japan Nipponkoa)

Net loss ratio*¹

Profitability keeps on improving trend due to top-line growth.

Factor occurring going forward

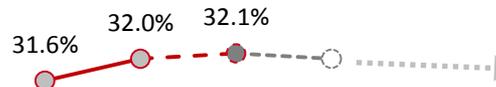
- Voluntary auto insurance rate revision (Jan. 2018)
- ⊕ Initiatives to increase voluntary auto insurance premium rates
- ⊕ Optimizing Fire and allied lines rate
- ⊕ Growth in other line



FY2015 FY2016 FY2017 (Revised forecast) FY2018 (plan) After FY2020

Net expense ratio

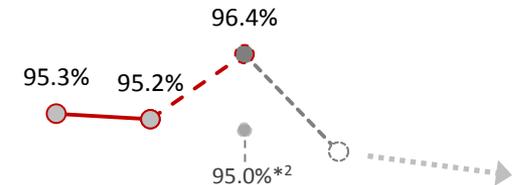
Initiated upfront investment enhancing productivity for future*³.
Effect will be realized gradually after FY2018.



FY2015 FY2016 FY2017 (Revised forecast) FY2018 (plan) After FY2020

Combined ratio

Remain unchanged policy of keep combined ratio below 95% level
1H FY2017 actual: 93.4%



FY2015 FY2016 FY2017 (Revised forecast) FY2018 (plan) After FY2020

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

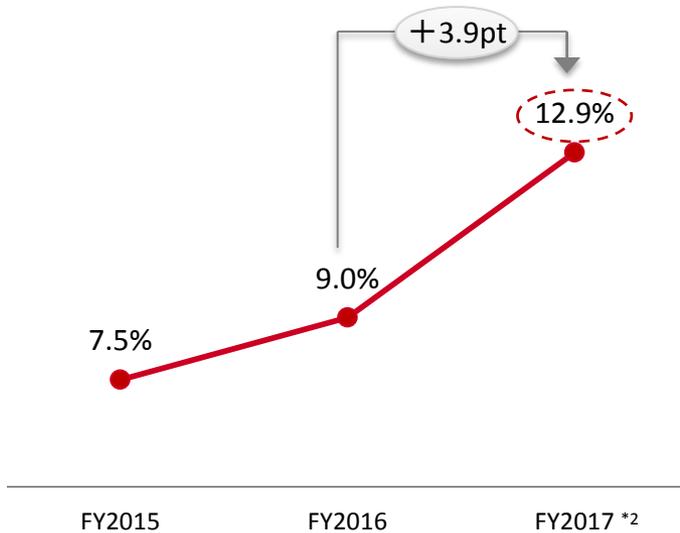
*3 The amount of upfront investments in FY2017 (forecast): around ¥10.0 billion

*2 Excluding hurricanes in North America and other large losses

Market share in direct automobile insurance market

Due to “ALSOK reliable accident site support service,” etc. top line growth rate*¹ is the No. 1 in the market for 2 consecutive years. Market share has been continuously expanding.

Market share in the direct market



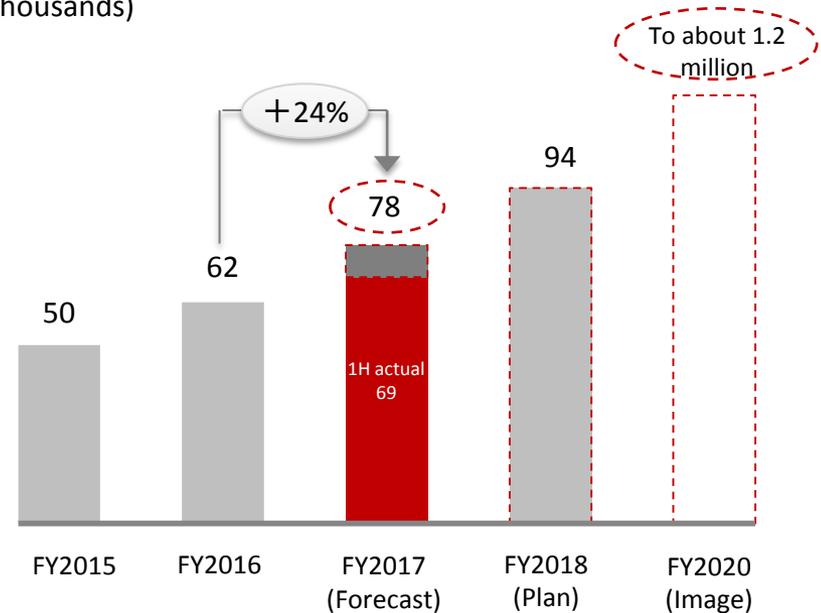
*1 +22% year on year (Reference: market average increase ratio +6%)

*2 Until 1Q FY2017

Policies in force of “Otona no Jidosha Hoken”^{*3}

Progress steadily in line with the plan toward turning to be profitable in FY2020.

(10 thousands)



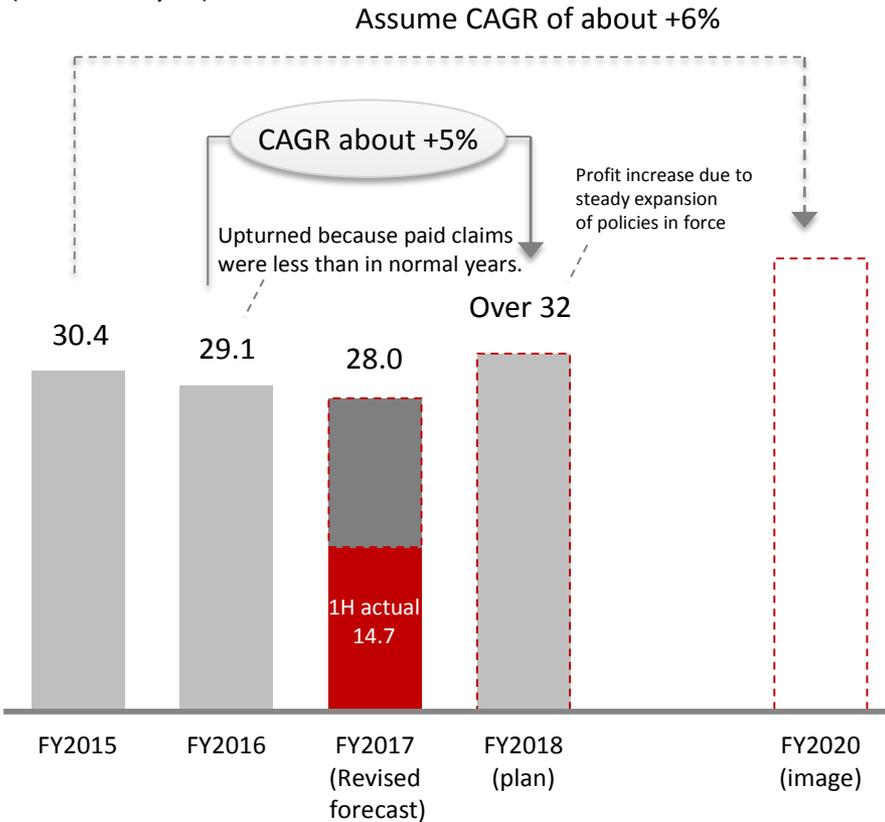
*3 Mainstay direct product name of Saison Auto.

Progress of Domestic life insurance

◆ Progressed steadily in 1H FY2017.

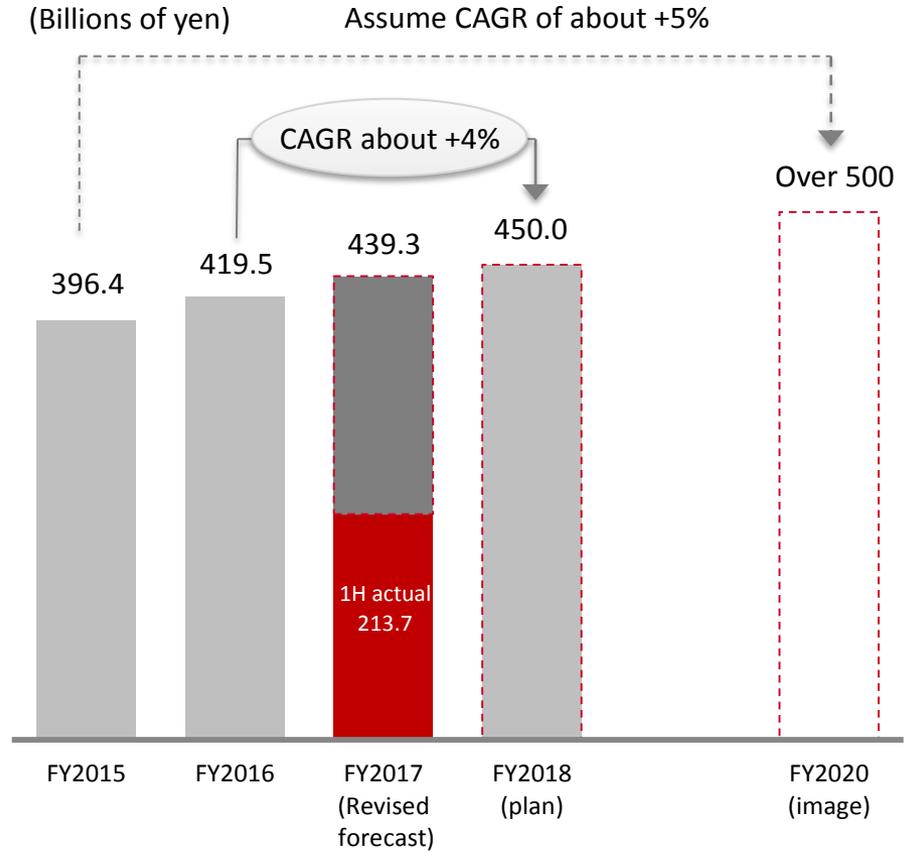
Plan for adjusted profit

(Billions of yen)



Premium and other income

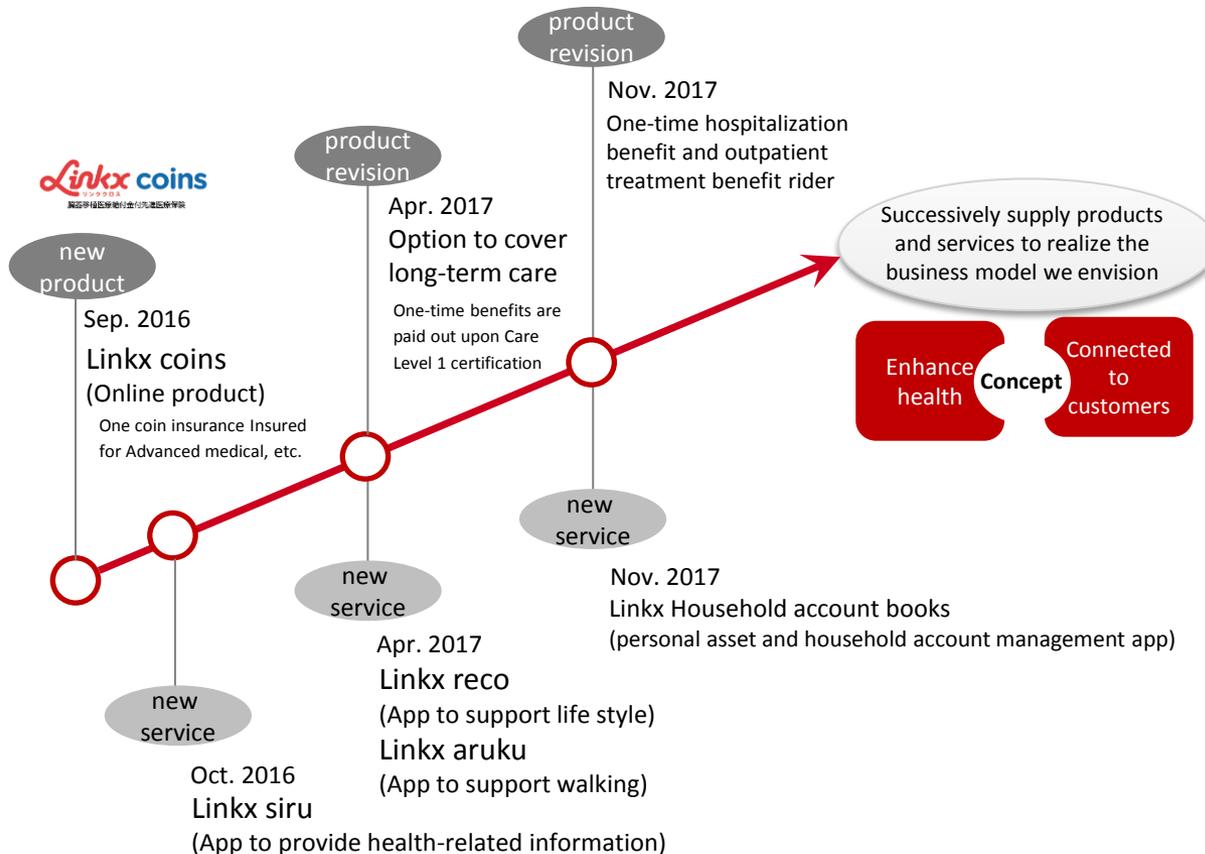
(Billions of yen)



Materialized products and services strategy (Himawari life)

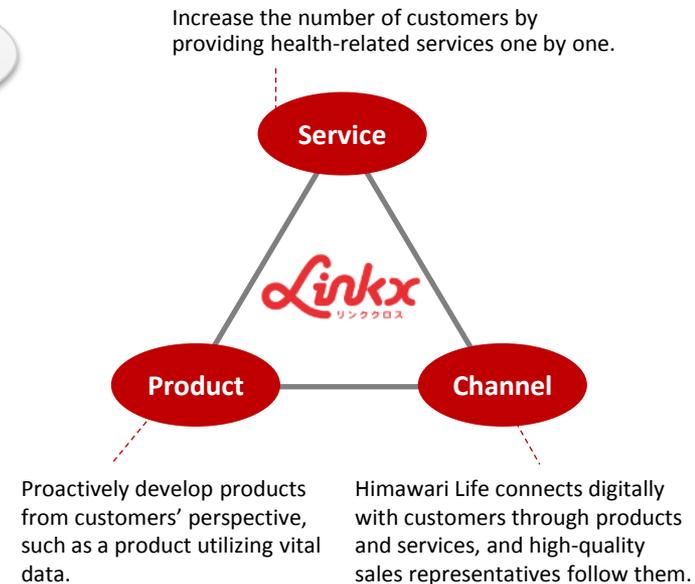
- ◆ Aim to evolve into a health support enterprise by going beyond boundaries of “insurance.”
- ◆ Increase the number of customers and earnings in the future through new business model.

New products and services



(Reference) business model

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

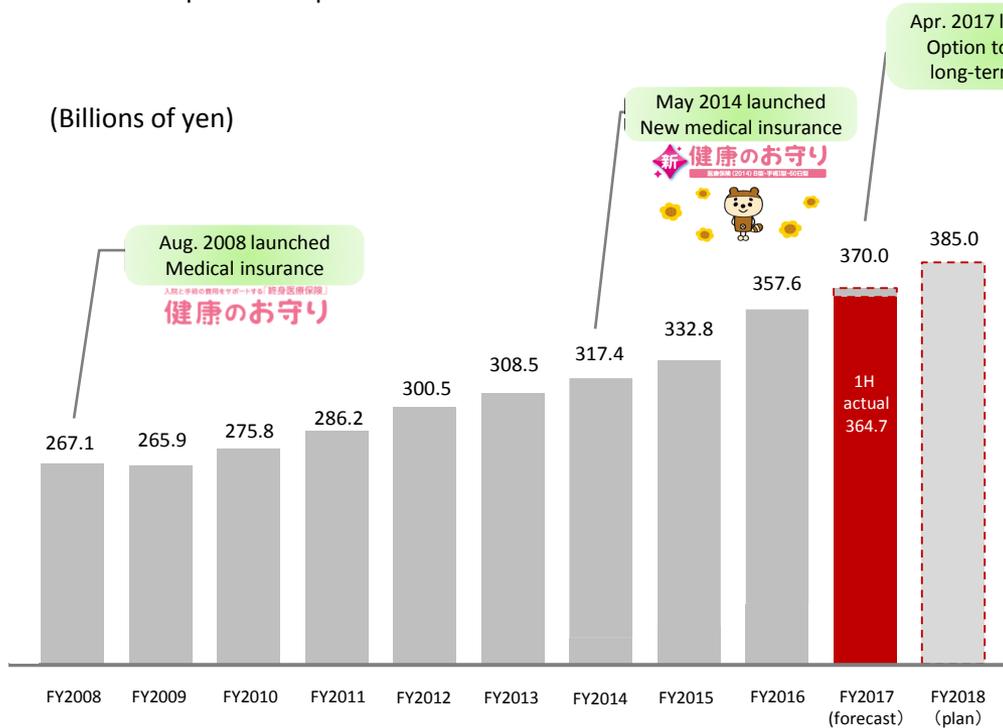


(Reference) Annualized premium in force and product mix

Annualized premium in force

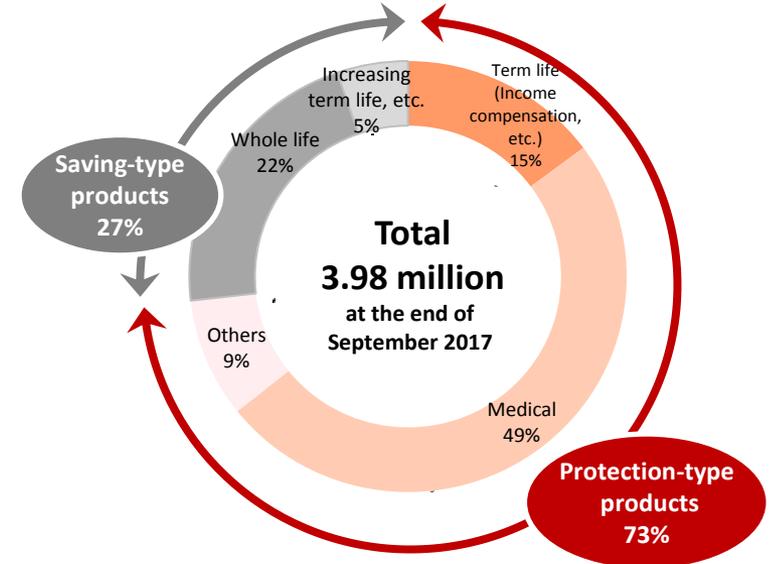
By providing new product at proper timing, etc. expand policies in force centered on protective product

(Billions of yen)



Product mix (the number of policies in force)

While keeping highly profitable product mix, aim to grow continuously

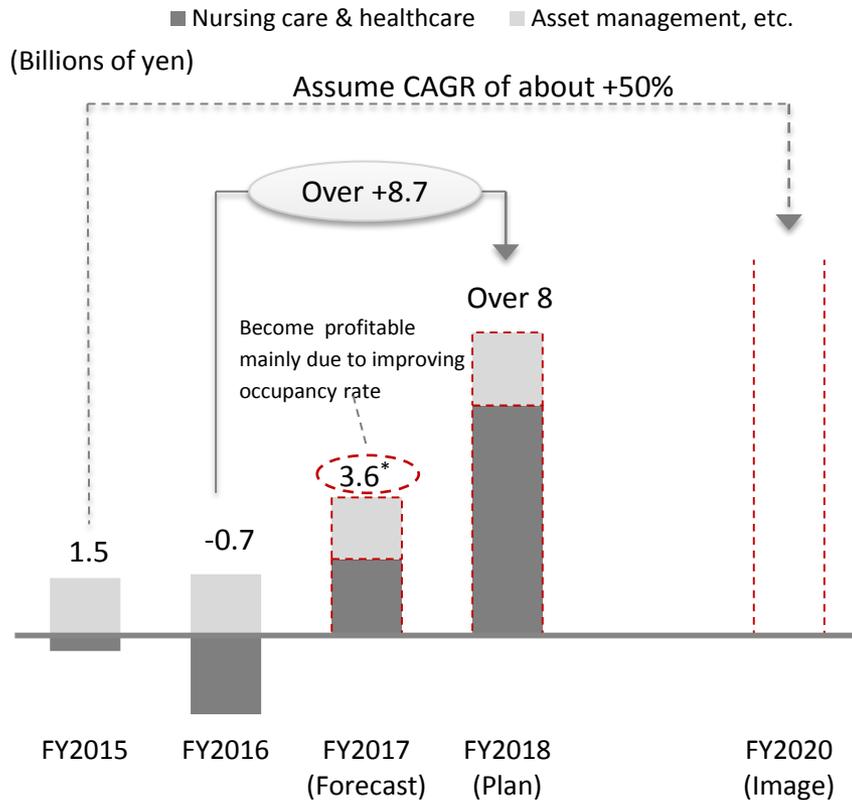


Protection-type products: Medical, cancer, income compensation, and term life insurance (excluding long term life and increasing term life insurance), etc.

Progress of Nursing Care & Healthcare, etc.

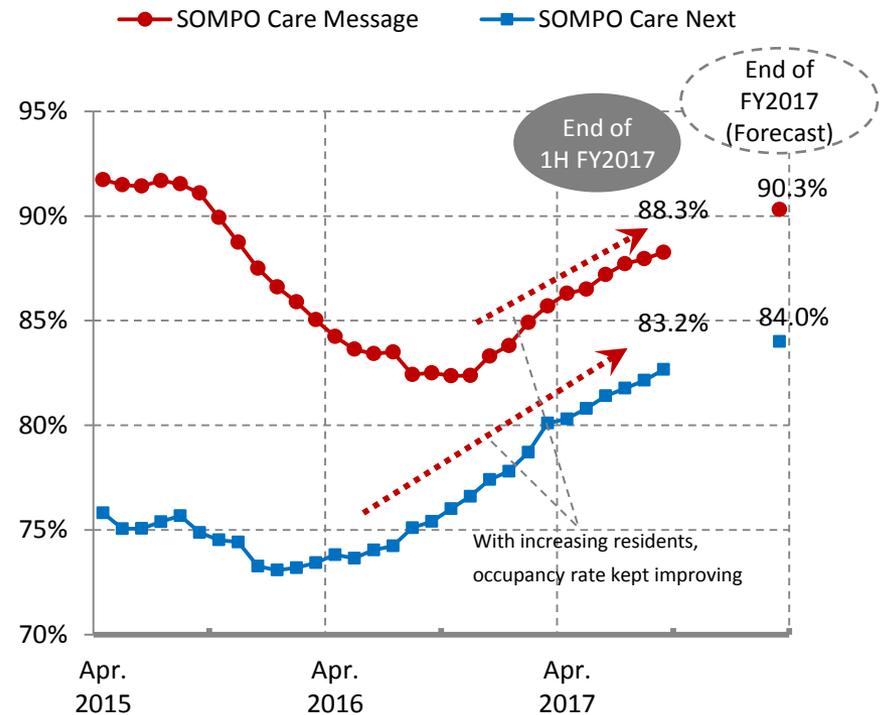
◆ In nursing care business, occupancy rate has been improving steadily. The business became profitable.

Plan for adjusted profit



* 1H FY2017 Actual : ¥1.5 billion

Occupancy rate

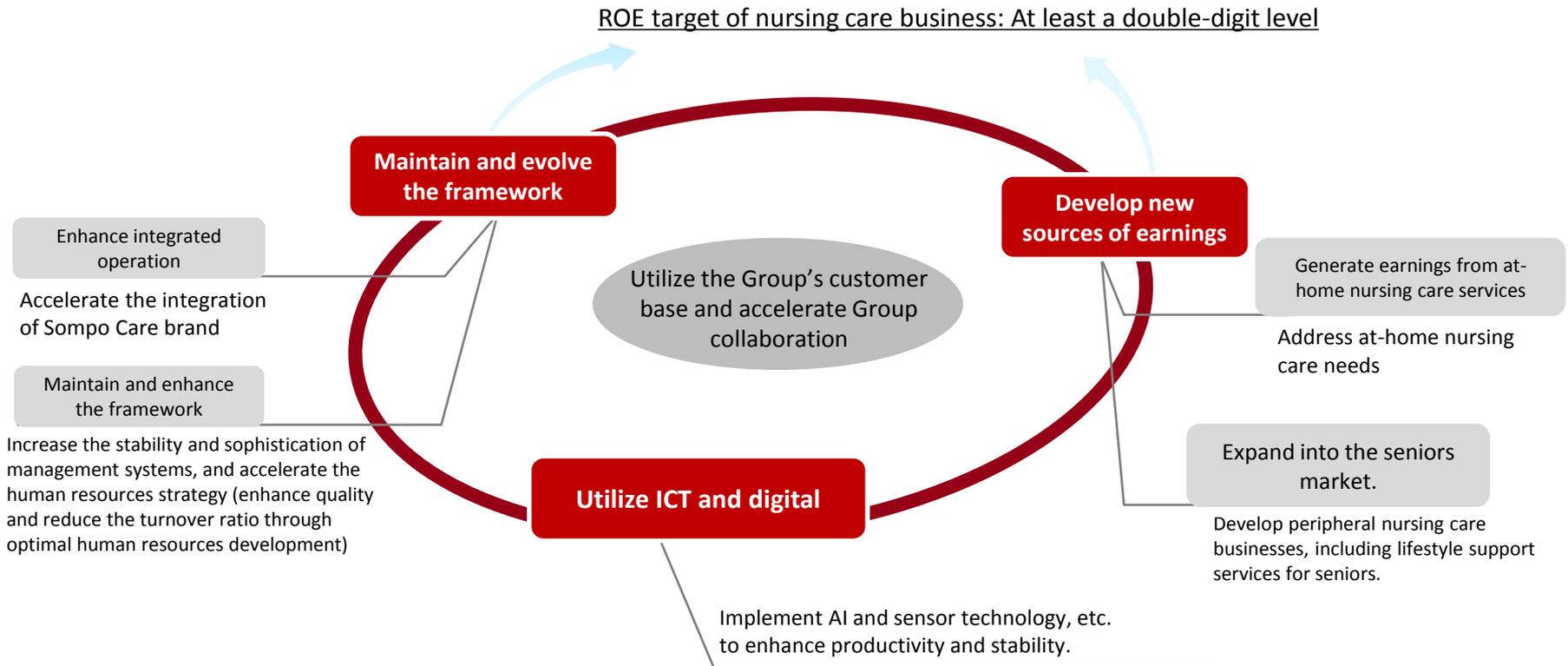


* Occupancy rate = the number of residents / capacity of facilities

Vision of nursing care business after mid-term management plan

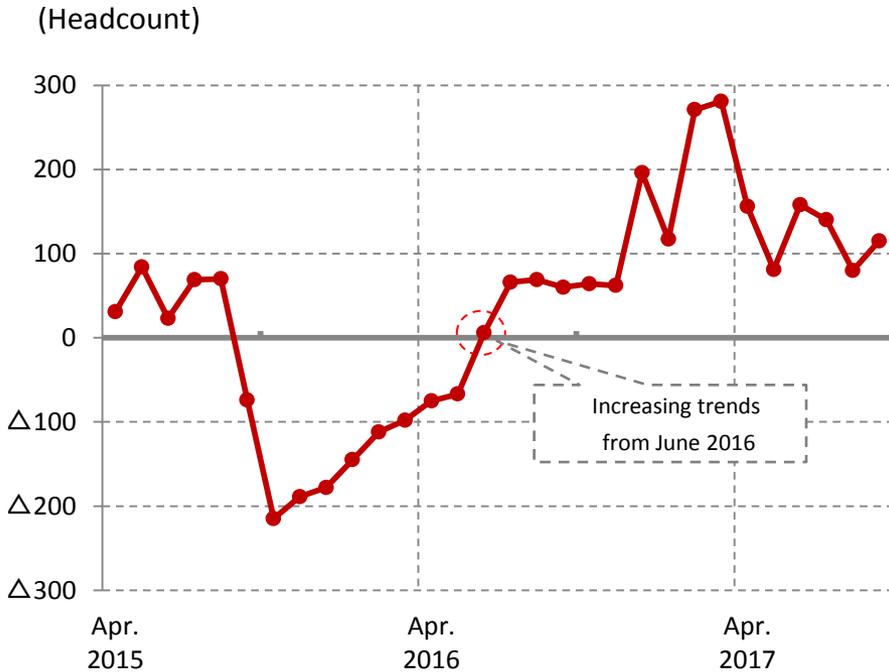
- ◆ Maximize the use of the Group's resources in conjunction with continuously maintaining and enhancing internal management.
- ◆ Aim to maintain capital efficiency at a certain level.

Vision of nursing care business (image)



(Reference) Key numbers of nursing care business

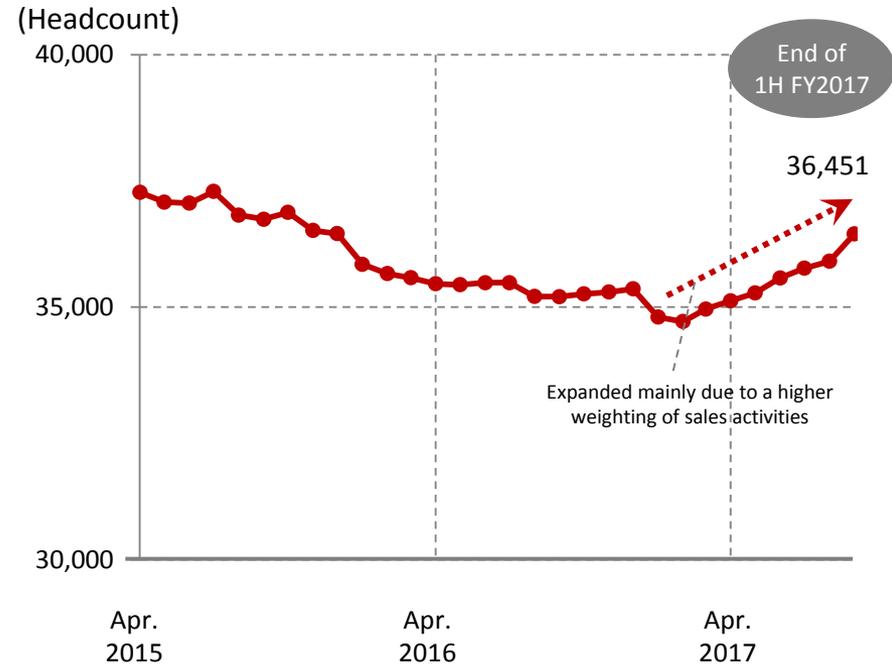
Inflow of residents*



* Sum of SOMPO Care Message and SOMPO Care Next

Inflow of residents = the number of new residents – the number of departing residents

Trend in the number of users of at-home nursing care services



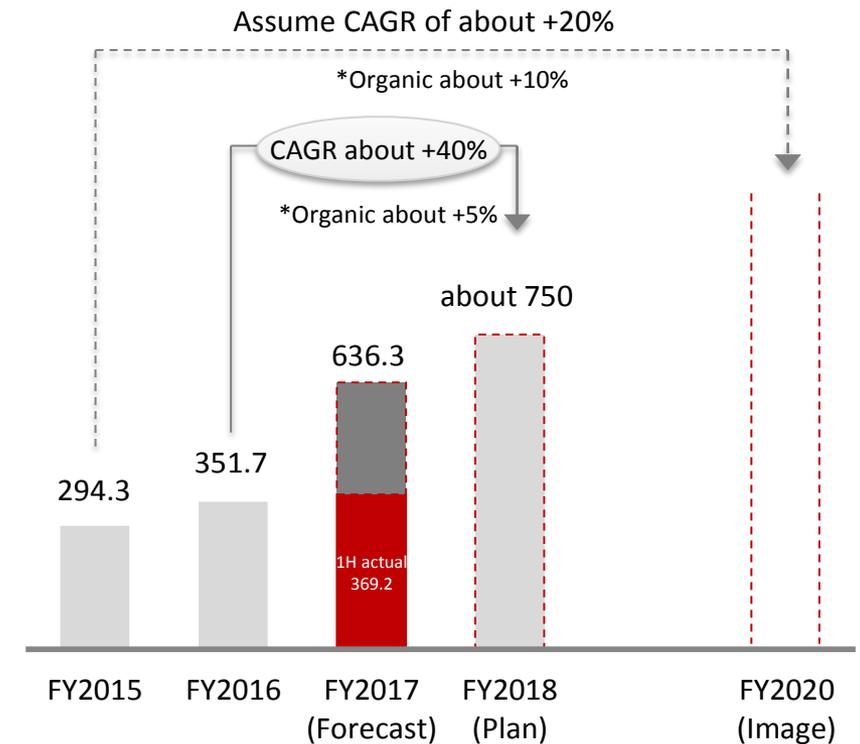
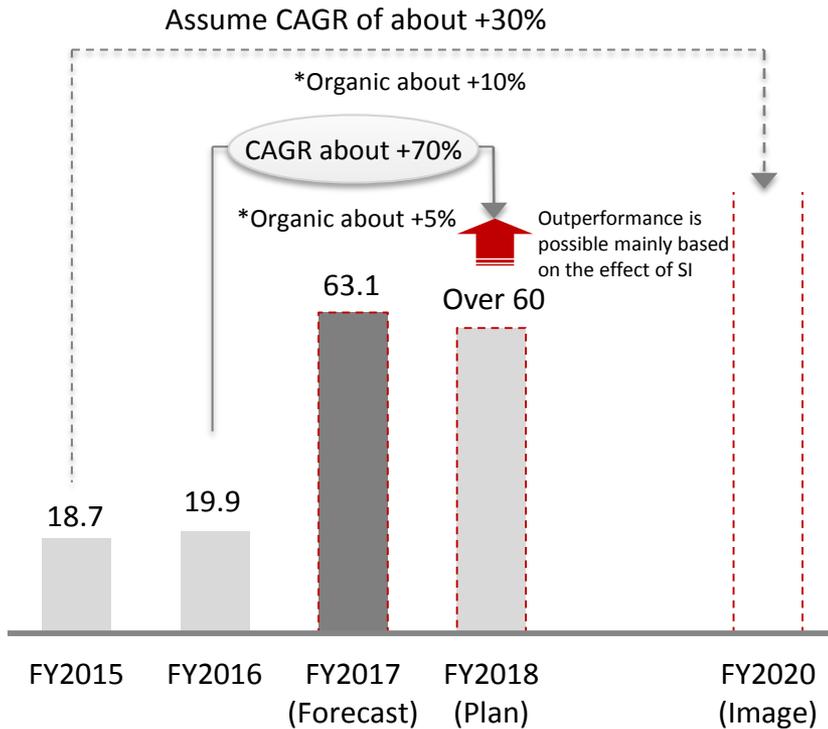
◆ Mainly due to the growth of SI, FY2018 targets could be outperformed.

Plan for adjusted profit

Premiums*1

(Billions of yen)

(Billions of yen)



* 1H FY2017 actual: - ¥35.2 billion

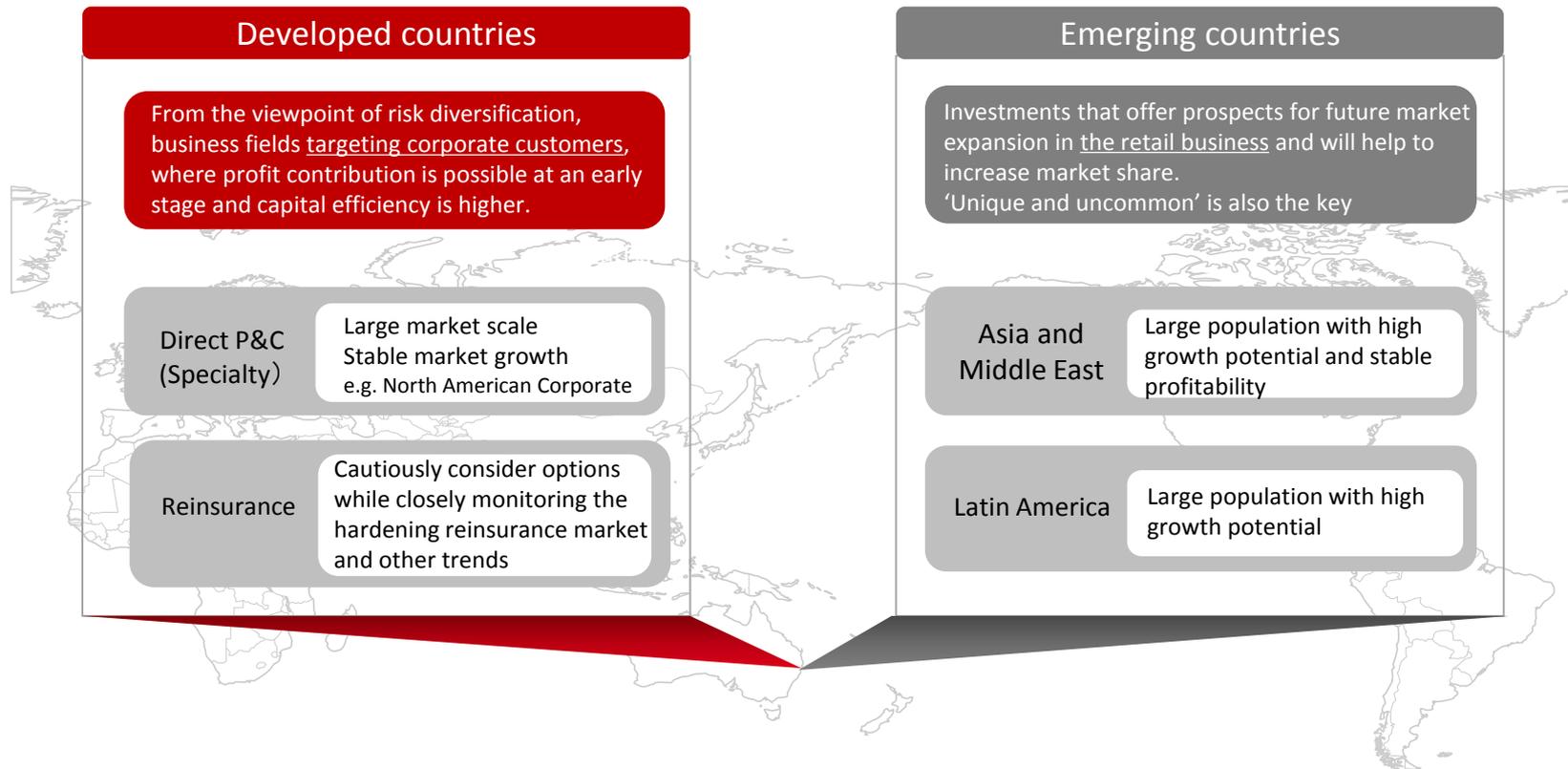
* FY2017 forecast includes a decrease in tax expenses in connection with the reorganization of SI.

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

◆ Consider selectively M&As that will enhance Group profit and ROE in a disciplined manner.

Typical criteria of M&A

Our policy is to selectively consider M&As that will enhance Group capital efficiency based on a robust financial base, according to the following perspectives



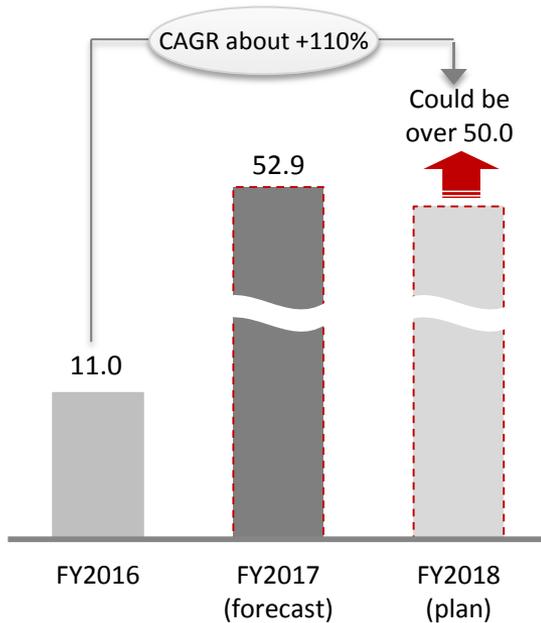
(Reference) Progress by region

Net income by region

(Billions of yen)

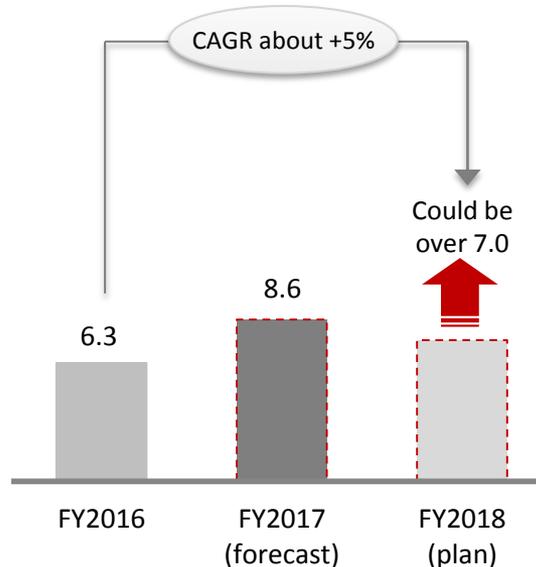
Developed countries (North America and Europe)

- In 1H FY2017, while the impact of hurricanes in North America, full year results are expected to increase mainly due to the effect of SI consolidation.
- In FY2018, mainly due to further contribution of SI, could outperform the targets.



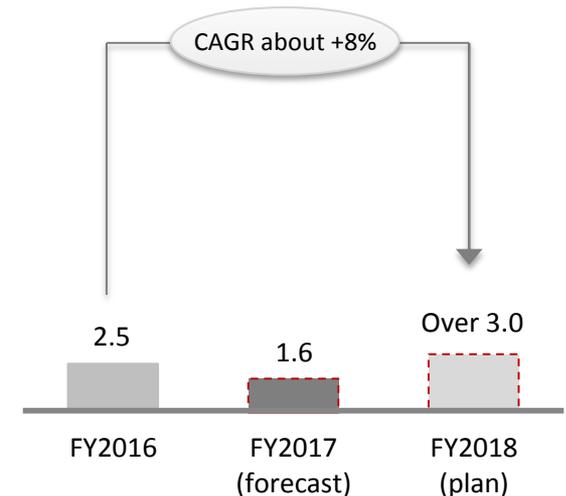
Asia & Middle East

- In 1H FY2017, favorable L/R and investment income of SJ Sigorta (Turkey) contributed to profit expansion.
- In FY2018, aim to out perform the targets centered on strong SJ Sigorta.



Latin America

- While in 1H FY2017 lowering earnings mainly due to a downturn in the performance of specific policies, implemented changes in underwriting conditions.
- In FY2018, by the Initiatives for further optimizing underwriting and cost reduction, etc. plan to increase in profit.



* 1H FY2017 actual: - ¥40.3 billion
 FY2017 forecast includes a decrease in tax expenses in connection with the reorganization of SI.

* 1H FY2017 actual: ¥5.3 billion

* 1H FY2017 actual: - ¥0.1 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.

Contacts



Sompo Holdings, Inc.

Investor Relations Team, Office of Group CEO

Telephone : +81-3-3349-3913

Fax : +81-3-3349-6545

E-Mail : ir@sompo-hd.com

URL : <http://www.sompo-hd.com/en/>