

# Concept of New Medium-Term Management Plan (FY2006 ~ FY2008)

November 2005 SOMPO JAPAN INSURANCE INC.

- •This is the summary of the concept of Medium-Term Management Plan starting FY2006.
- •The whole content of the plan is scheduled to be public in April, 2006.
- •Various management target indices, scheduled to settle on based on FY2005 closing numbers, are to be public in May, 2006.

#### Agenda

- 1. Core concept
- 2. Business environment
- 3. Major field in which management resources are to be invested
- 4. Overview chart of Medium-Term Management Plan
- 5. Strategy by market
  - Retail market Commercial market Overseas market
- 6. Strategy by business
  - ·P&C insurance business ·Life insurance business ·DC&AM business ·Healthcare business etc. ·Investment
- 7. Business Infrastructure
  - Risk Management and Compliance Human Resource Corporate Governance Capital Strategy

Current Plan from 2002 to 2005)

- •Structural Reform
- •High profitable business structure

#### "Improvement of Profitability"

- •Top level for expense ratio in FY2004
- •Top place in balance ratio among three largest companies in FY2004
- •Top average total investment return among three largest companies for FY2002-FY2004

#### "Reinforcement of business Structure"

- •Top place in sales premium for auto in FY2003
- •Top place among three largest companies in the growth ratio in auto in FY2004
- •Embedded value of Himawari Life was ¥172.4 billion at the end of FY2004
- •SJ DC has achieved top-class status in the industry, and will contribute to consolidated profit in FY2011
- •Adoption by global major SRI indices such as Dow Jones, FTSE, Ethibel etc.

New Mid-term Plan (from 2006 to 2008)

- •Expansion of scale
- Improvement of profitability

#### **Basic Direction**

Coexisting of "Expansion of the scale" and "Strengthening of profitability".

#### **Competitive Strategy**

Core business domain is domestic market.

New business model for retail market.

Further reinforcement of life and DC business.

Business expansion in overseas operation, especially in BRICs and ASEAN where profit is expected.

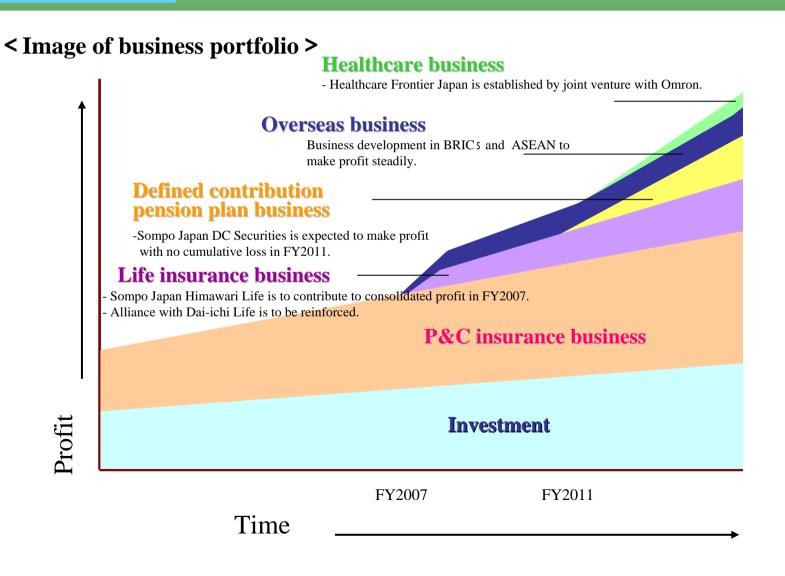
New operational system established to improve business efficiency.

Reinforcement of Human Resources, Risk Management and Compliance.

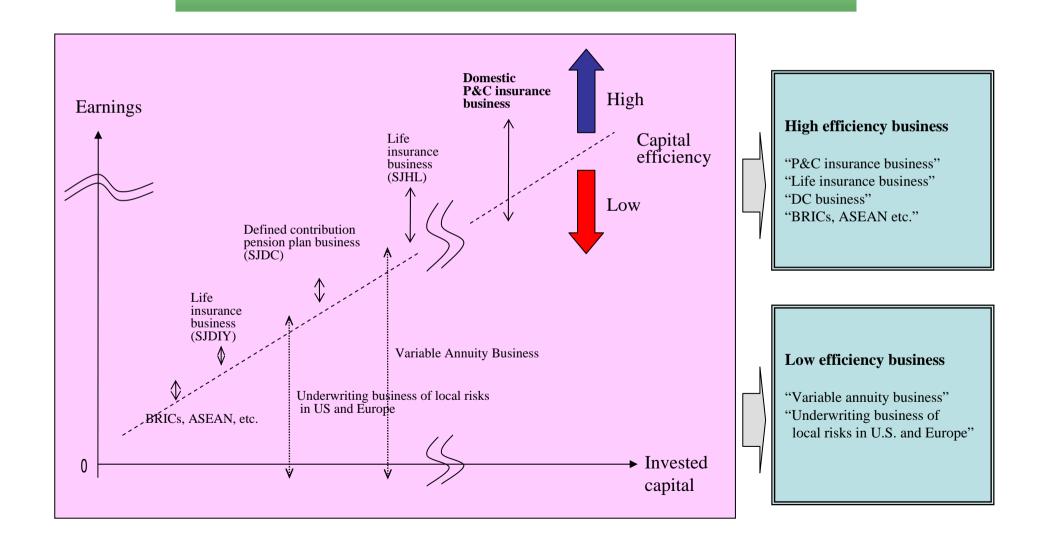
**Key word: Optimal management resources allocation** 

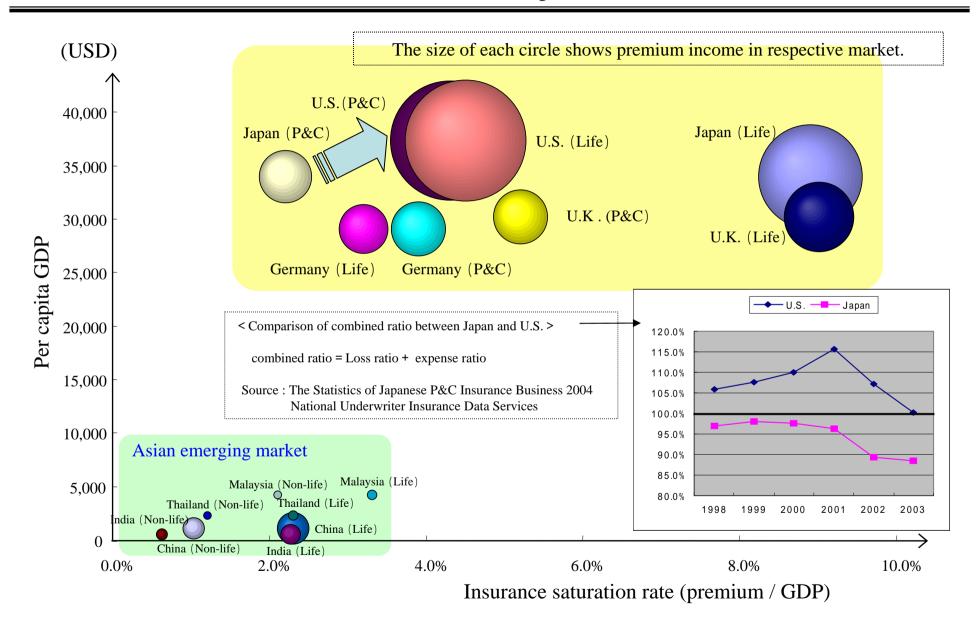
**Corporate vision** 

Comprehensive Service Provider Group for Risk and Asset Management

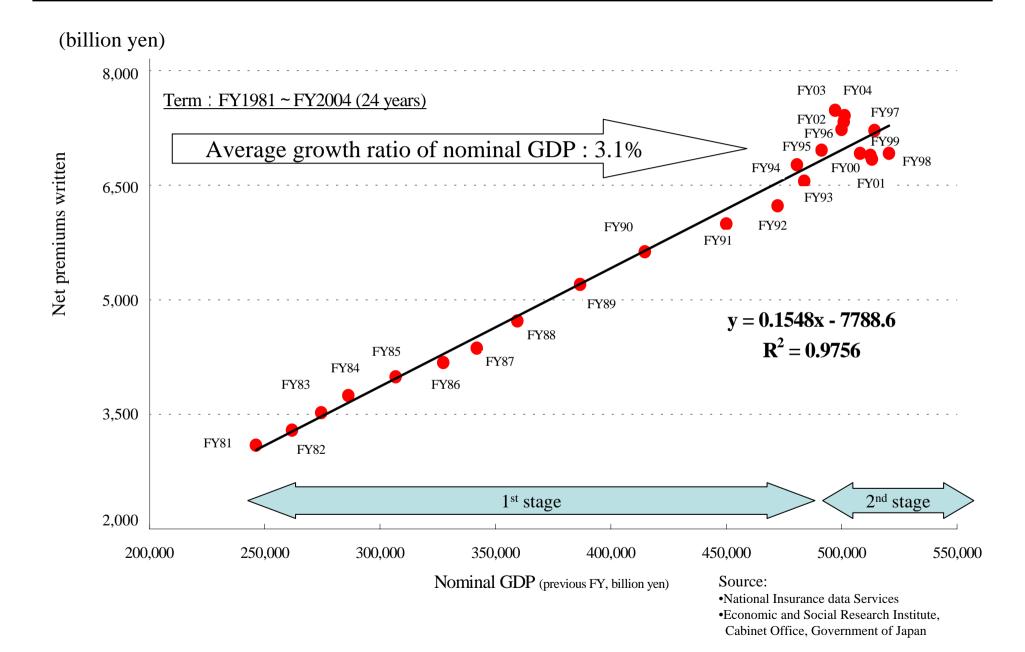


## Management resources to be invested in high efficiency business

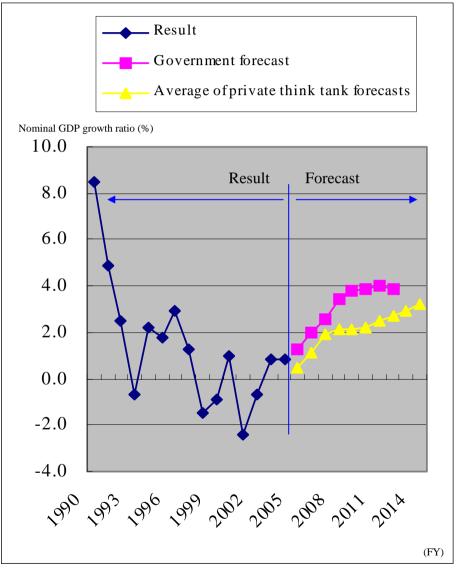




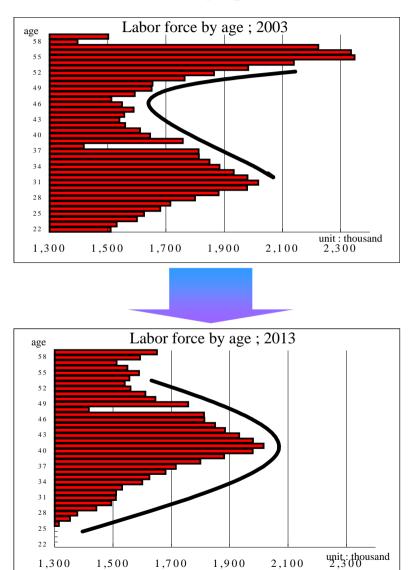
Source: Swiss Re, IMF, World Bank



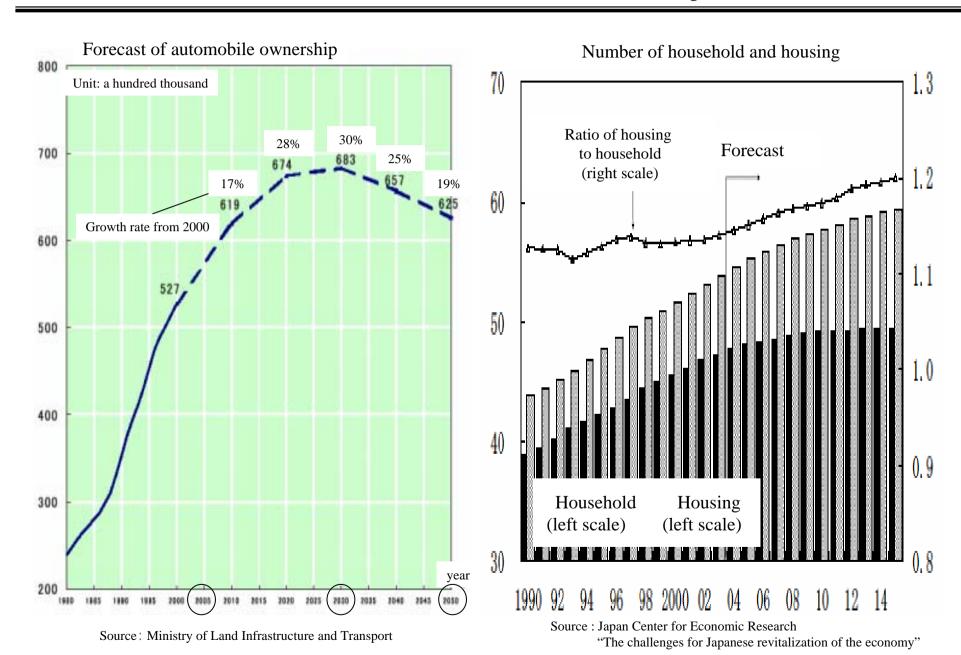
#### Forecast of Nominal GDP

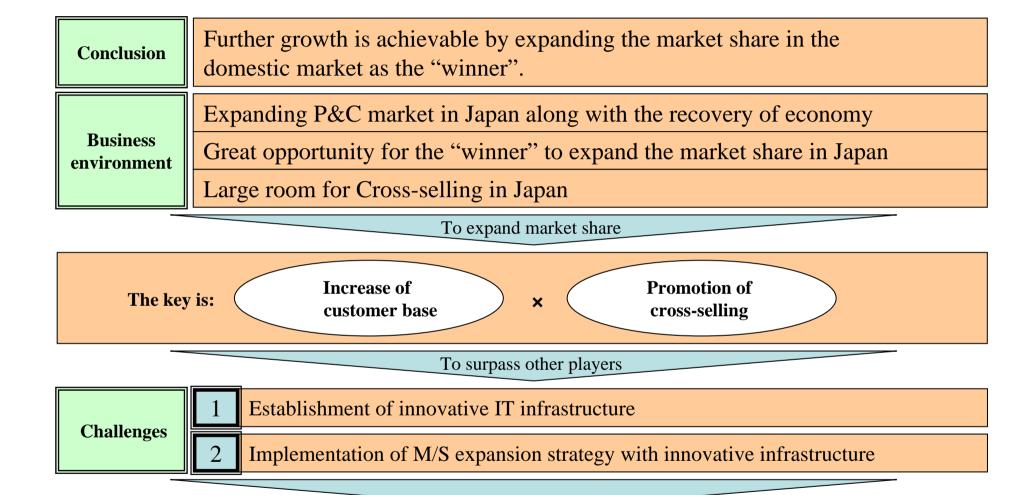


## Demographics



Source: Economic and Social Research Institute, Cabinet Office, Government of Japan





With "domestic business" as the core domain, Sompo Japan will expand top line and profits beyond those of competitors by allocating management resources on setting priorities to resolve the challenges.

1 Innovative IT Infrastructure

Expansion of scale

with

**Innovative infrastructure** 

(1)Strategic Call Center

(2)New product, workflow and IT system

(3)Knowledge Management System

Advanced IT Technology

(1)Strategy for Retail market: "New Business Model"

**New Core Agents** 

Competitive advantage over competing channels

Improving approaches to direct marketing

Discovering new markets in competitive advantage

Pursuing cross-selling

Upgrading approaches to small- and medium-sized company market

Upgrading approaches to affinity market

Providing optimal products, services and solutions to niche markets

(2)Strategy for Commercial market

Allocate management resources to growing companies Allocate management resources to expanding markets

(3) Reinforcement of Life business and DC business

Base of business development Human Resources, Risk Management, Compliance

## Coexisting of "Expansion of the scale" and "Strengthen of Profitability"

Management Resources

P & C Business

Life Business

DC• AM(\*)
(\*Asset Management)

Fee Business
(Healthcare Business etc.)

#### **Domestic Business**

Expansion of Number of customers

Retail

clients by multi distribution

channels with high quality

Expansion of access to

services

× Promotion of Cross-Selling

#### Commercial

Management Resources are allocated to the growing industries.

#### **Overseas Business**

BRICs

ASEAN etc.

#### Overseas

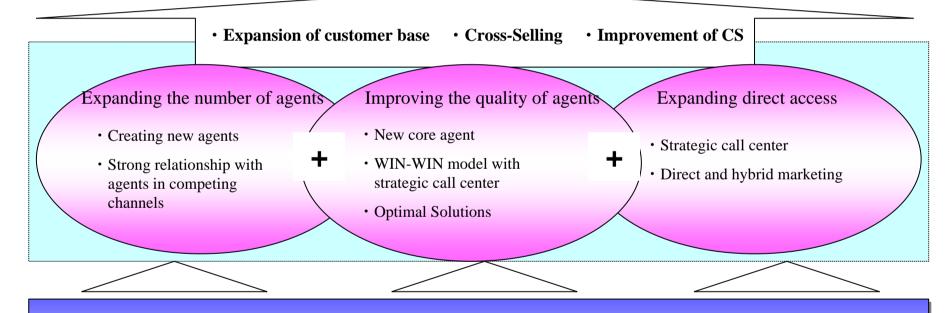
- •Business expansion with JV
- •Strict underwriting of local business

Definition of "Retail markets"

All markets except large commercial accounts

= including small & middle commercial market and affinity market

Expanding multi and high-quality access to customers through multiple channels



Enhancing retail infrastructure to achieve greater efficiency in front-line business processes, to improve productivity and to make more time available for sales forces

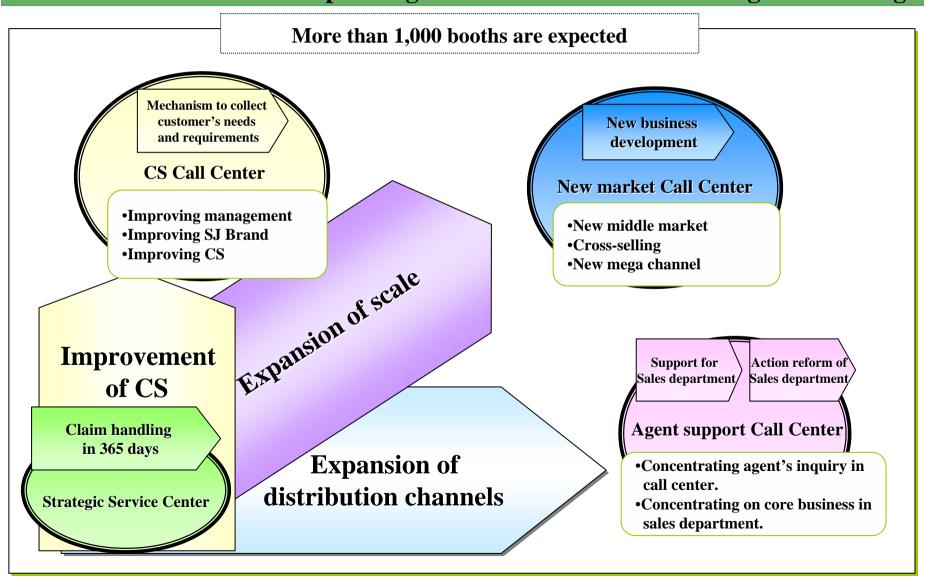
Utilization of strategic call center

Improvement of products, administration, and system

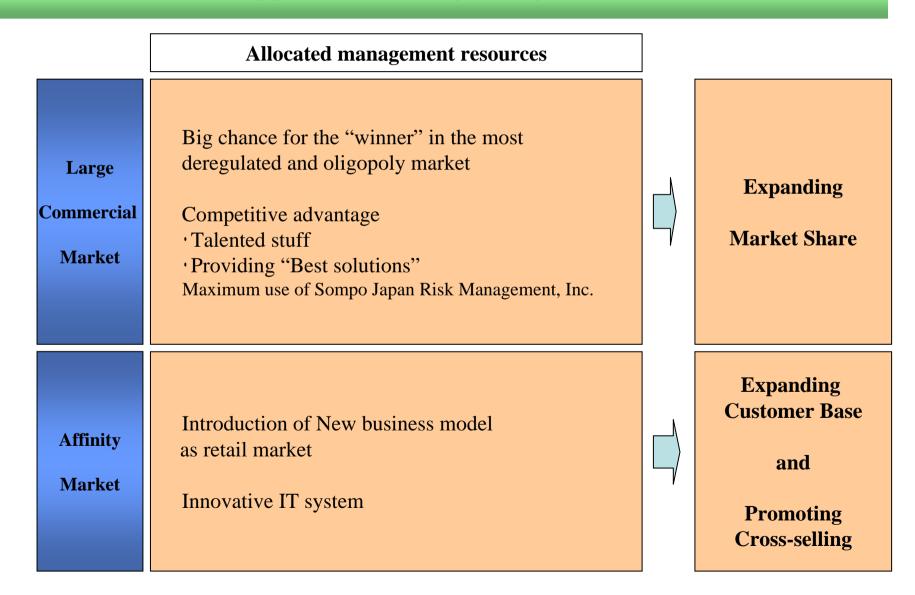
Knowledge management system

## **Strategic Call Center**

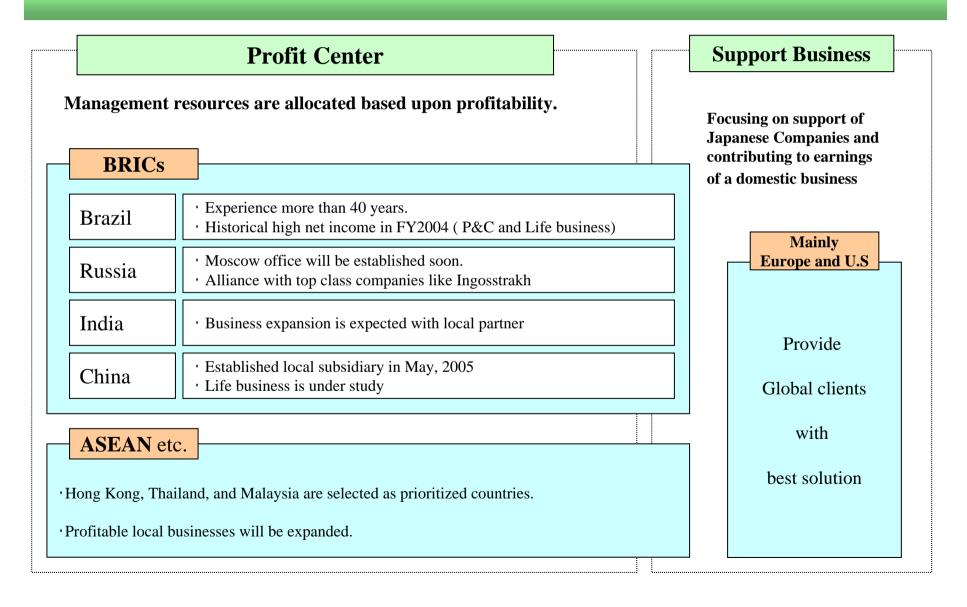
New Business Model for expanding customer base and enhancing cross-selling



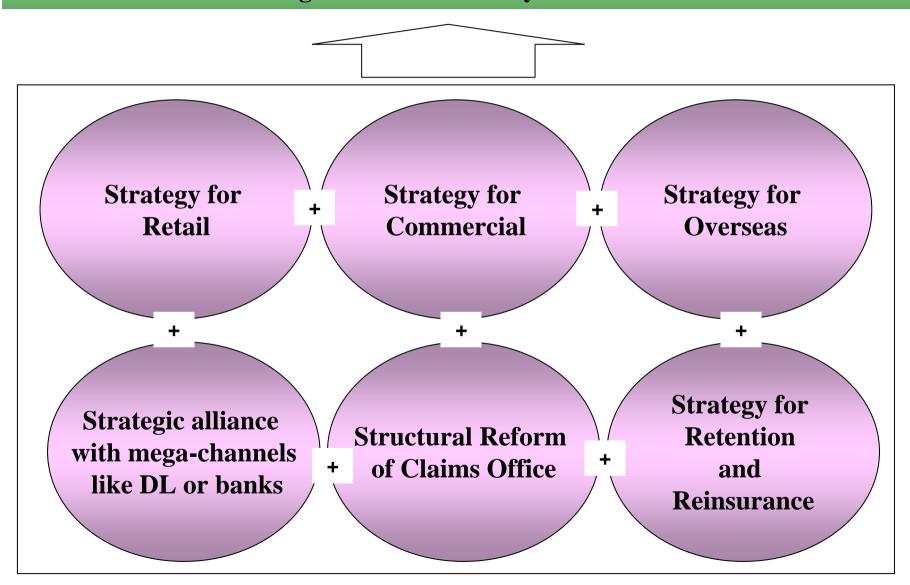
## Reinforcement of approaches to the growing industries and markets



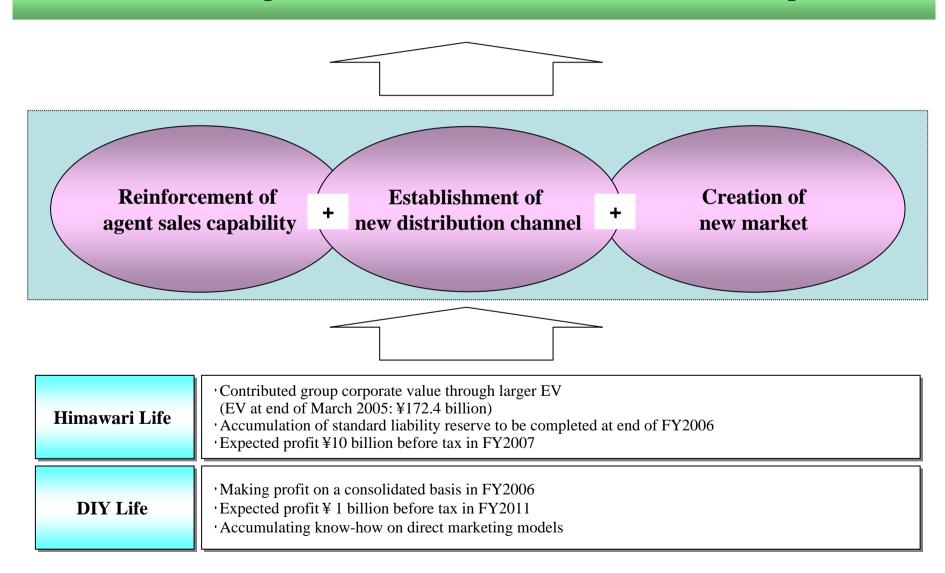
## Two categories from viewpoint of "Profitability" and "Capital Efficiency"



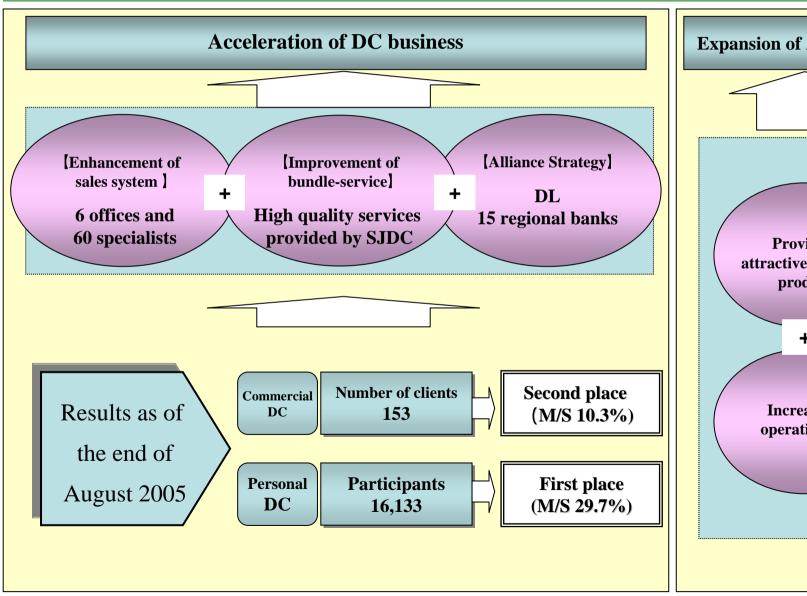
## As core business, co-existing of "Expansion of the scale" and "Strengthen of Profitability" are to be realized

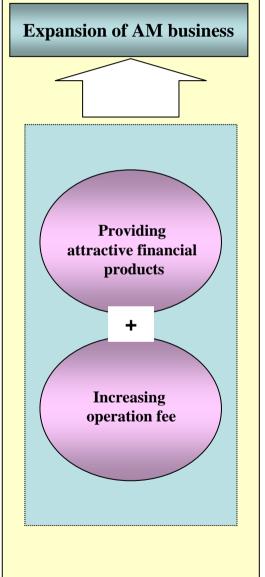


## Increase of corporate value and contribution to consolidated profit



## Establishment of top brand and Enhancement of business structure





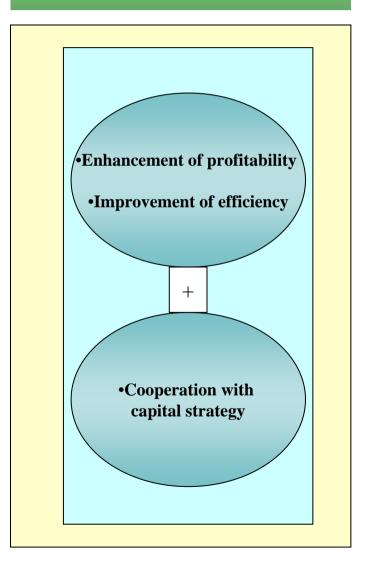
#### Healthcare business and other fee business

Established new business model

## Competitive advantage in health care business **Full scale entry Development of suitable** in disease management services disease risk control system in advance of other companies •Joint venture with Omron Healthcare. (Starting in October 2005) Healthcare •Actuary technology can be used. **Frontier** •Targeted customer is health insurance union. Japan •Fee business that provides health enhancement and disease management service.

#### Investment

- •Further improvement of efficiency
- 'Combination with capital strategy



## Risk Management in SJ group and Reinforcement of Compliance

Risk Management

Sophisticated risk management and risk assessment on a Group basis

Upgrading risk management mechanism for both domestic and foreign subsidiaries in order to meet new regulations and accounting rules.

Risk assessment as an important element of the internal management system, and effective tool for management.

Reinforcement of Compliance

"Spirit of fairness" in individual practice level and thoroughgoing compliance

"Spirit of fairness" as corporate culture.

Built-in self-check and multi-supervision mechanism in operating process.

< Base of business development of Sompo Japan >

Practice of individual "Spirit of fairness"

Virtuous Circle Employee's growth **Value-added operations ES** + **High performance** Value added operations **Employee growth** Virtuous Circle **Improve ES High performance** Strategic **Promoting Improving** Strengthening staff rotation female activities training system management capability Optimal allocation •Premeditated education •High quality training •Enhancement of of human resources and Expertise optimal timing expansion of activity

## < Corporate Governance > New Business Model, new governance and internal control

- To maximize the effects of new business model, the organization and staff allocation are to be changed.
- To establish more effective and efficient governance system, the corporate governance and the internal management system are to be upgraded.
- To improve management system for group companies, group company's governance system is also to be upgraded.

## < Capital Strategy >

Creating shareholder value by maximization of capital efficiency and appropriate return to shareholders

- To create shareholder value, Sompo Japan maximize capital efficiency and maintain financial soundness. Return on equity (ROE) is to be set as a major target.
- To maintain adequate capital, measurement of risk amount is to be improved.
- To improve consolidated ROE, Sompo Japan allocate adequate capital to both existing business and new business, and aim at managing both the expansion of the scale and the strengthen of profitability.
- To reward shareholders, dividends are to increase steadily.

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