



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

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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**

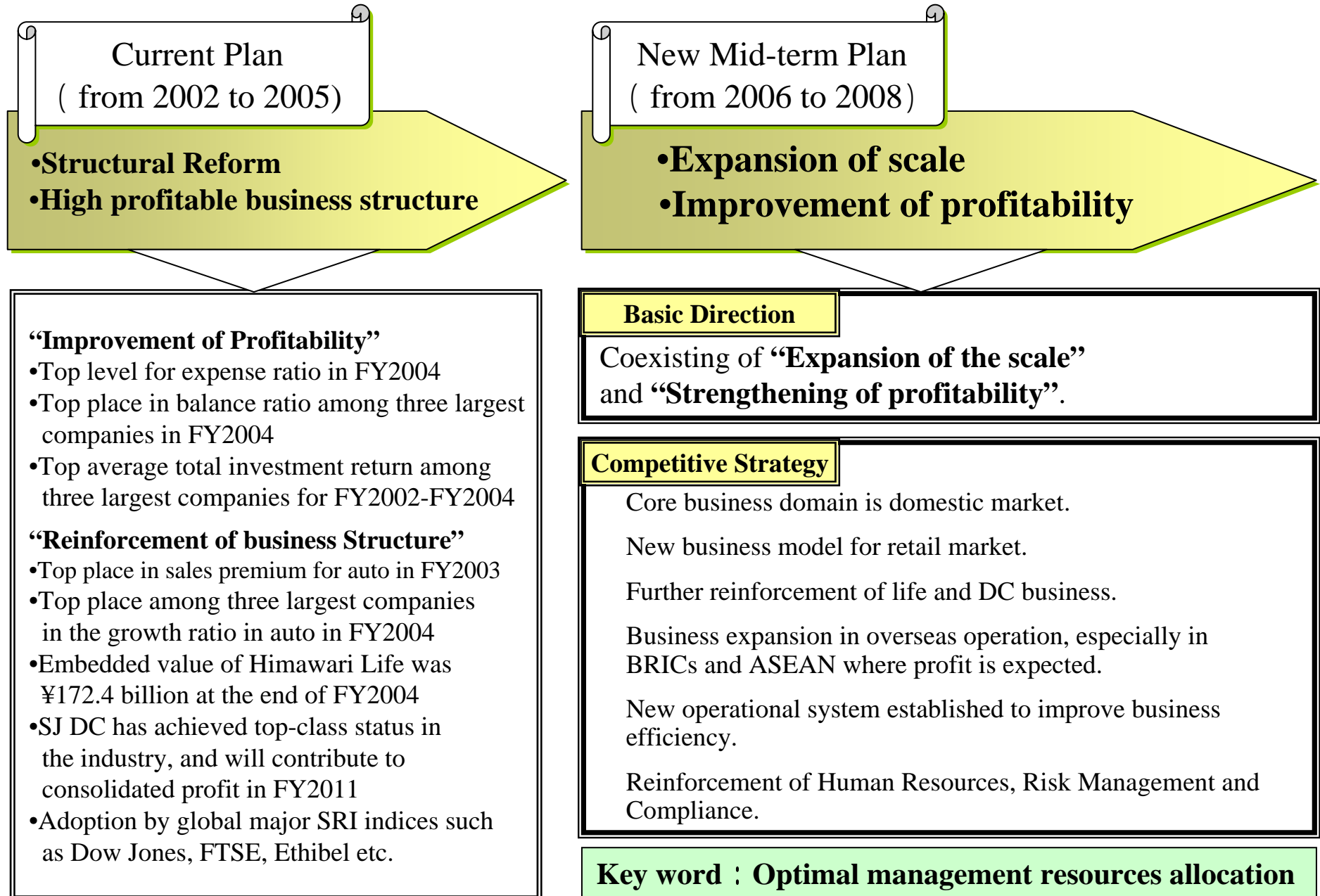
· Retail market    · Commercial market    · Overseas market

### **6. Strategy by business**

· P&C insurance business    · Life insurance business    · DC&AM business    · Healthcare business etc.    · Investment

### **7. Business Infrastructure**

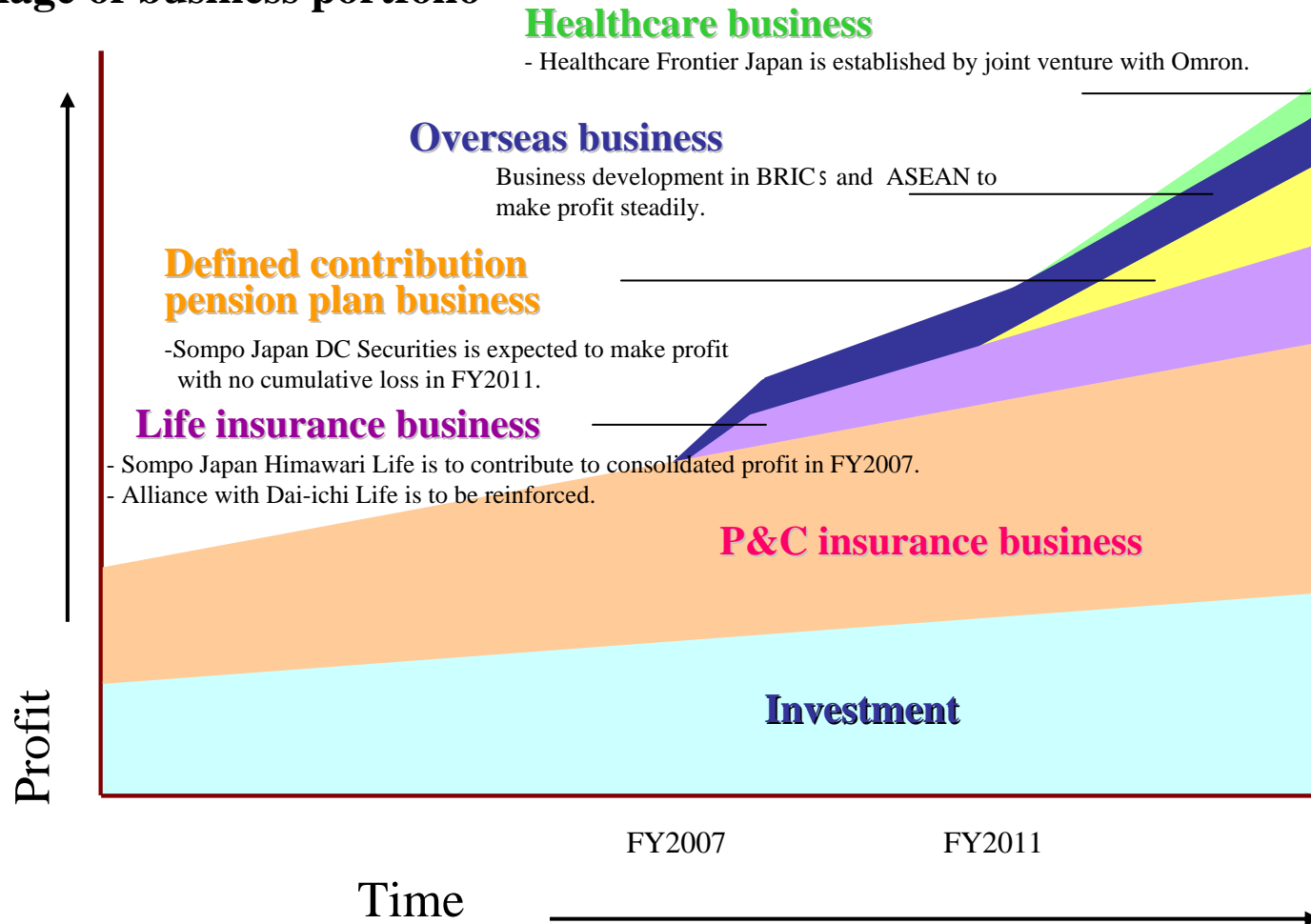
· Risk Management and Compliance    · Human Resource    · Corporate Governance    · Capital Strategy



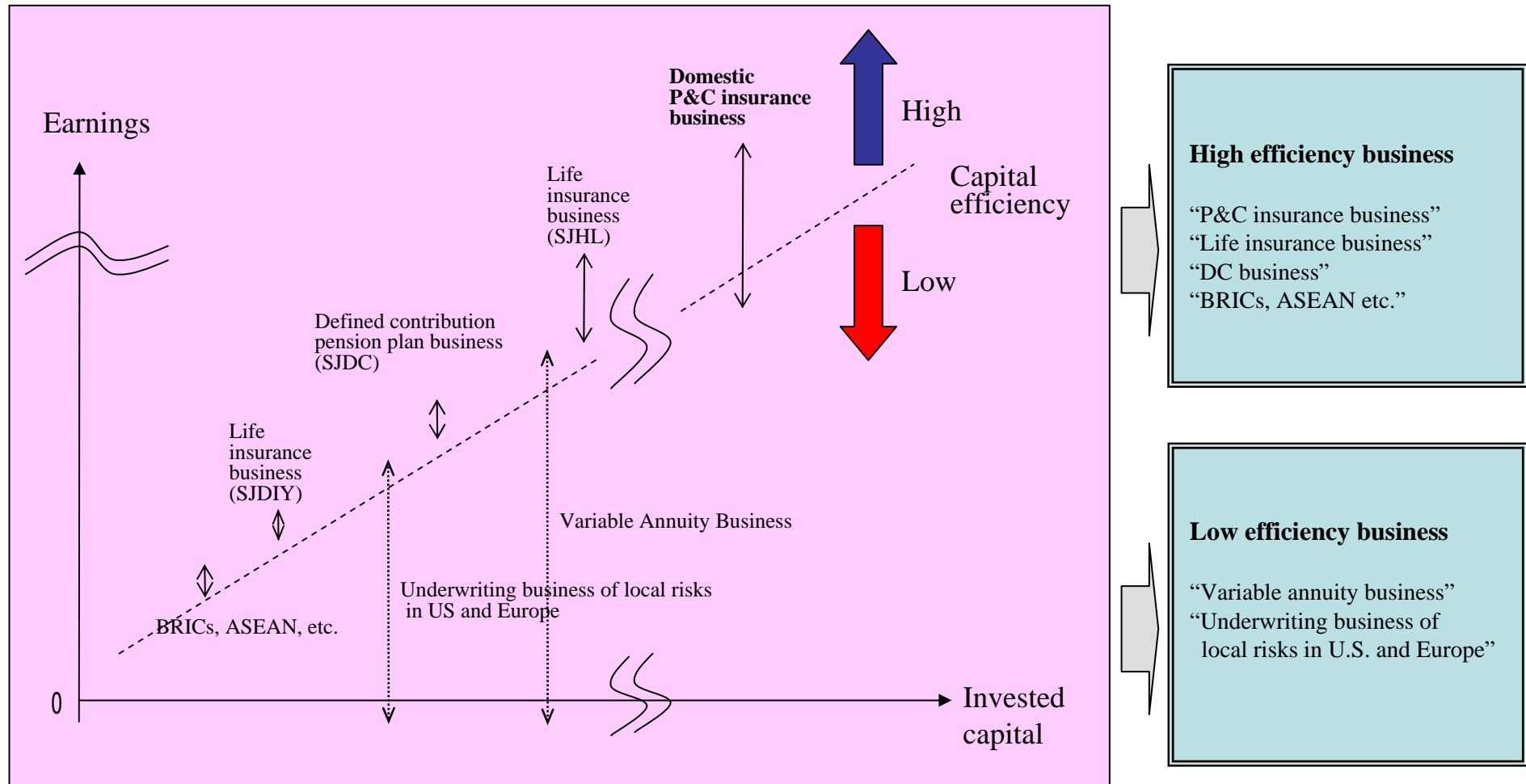
**Corporate vision**

**Comprehensive Service Provider Group for Risk and Asset Management**

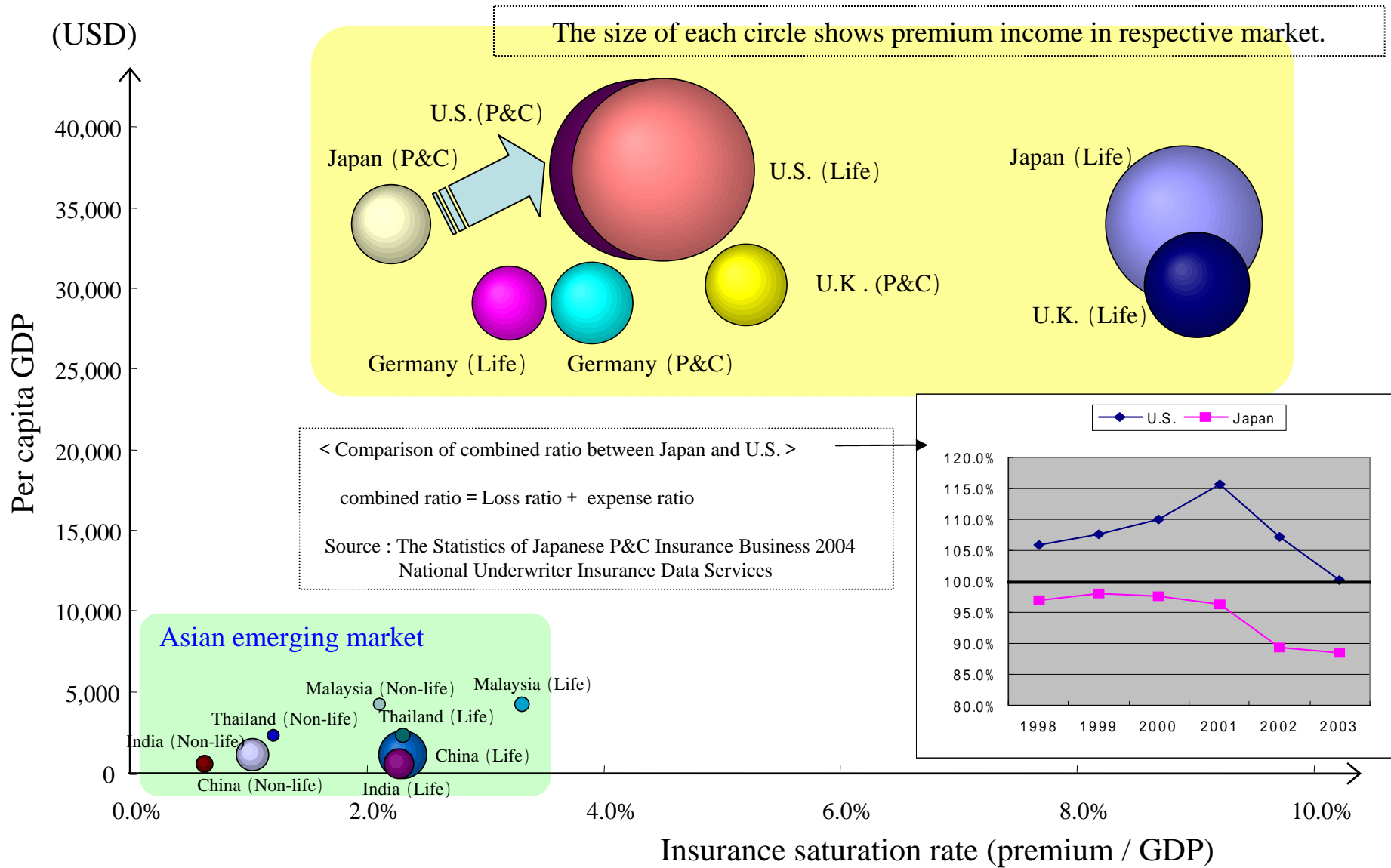
### < Image of business portfolio >



## Management resources to be invested in high efficiency business

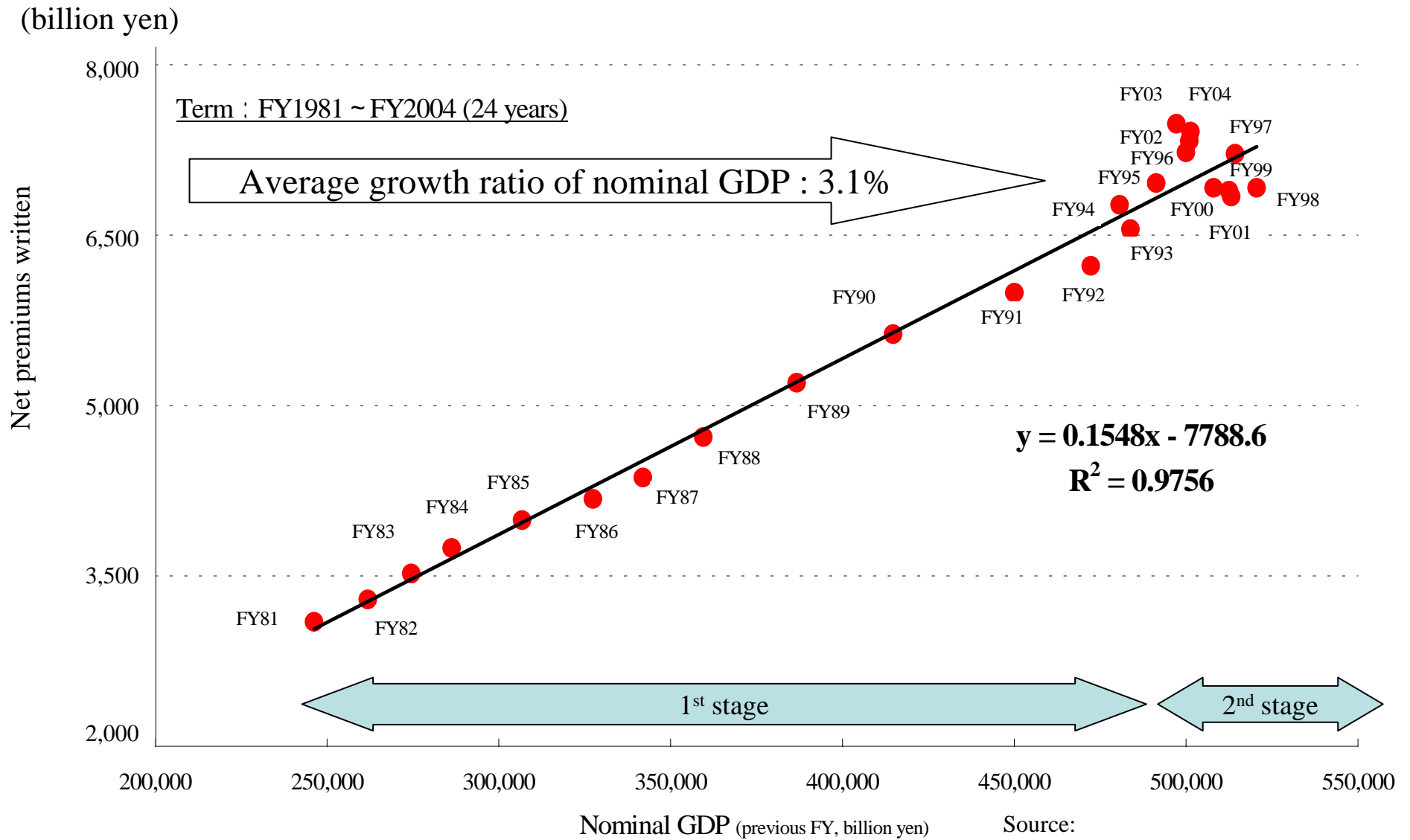


## 2. Business environment : International comparison of saturation rate



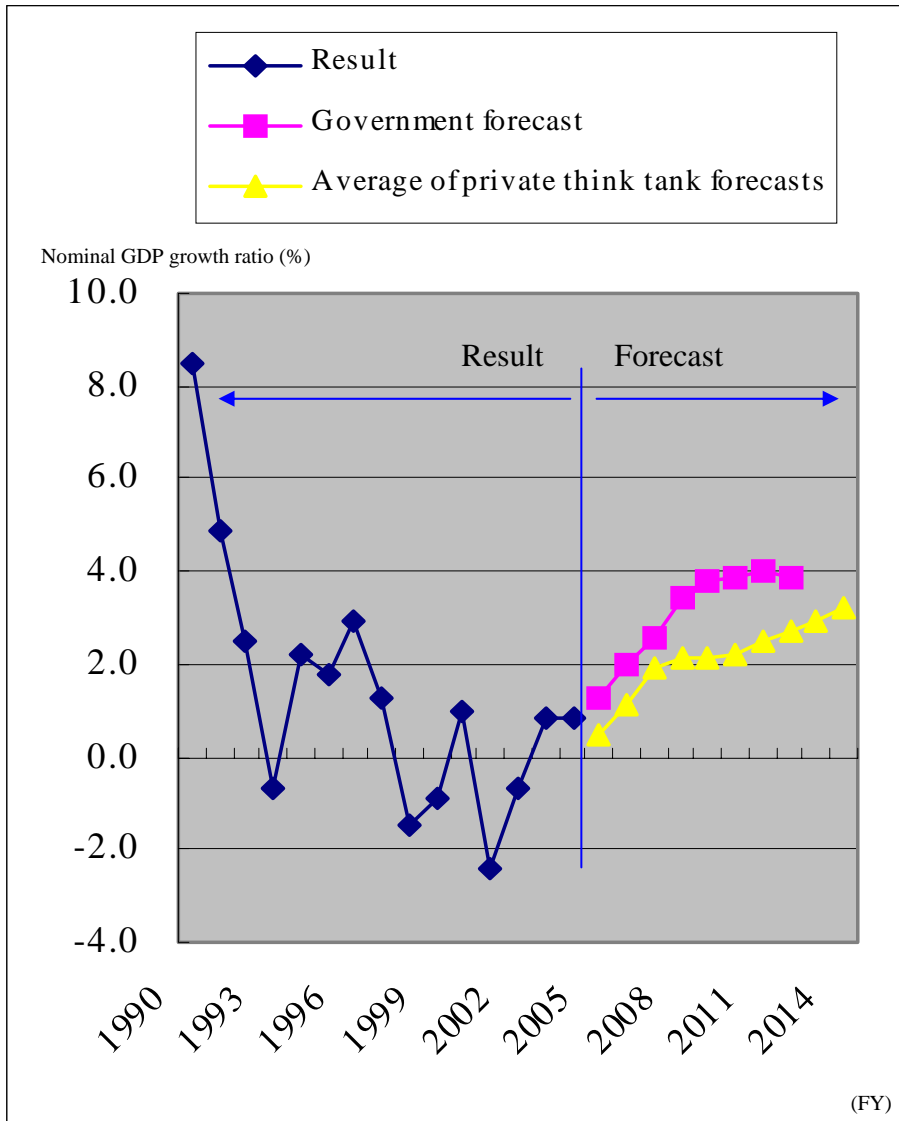
Source : Swiss Re, IMF, World Bank

## 2. Business environment : Correlation of premium income in Japan and nominal GDP



Source:  
 •National Insurance data Services  
 •Economic and Social Research Institute,  
 Cabinet Office, Government of Japan

## Forecast of Nominal GDP



## Demographics

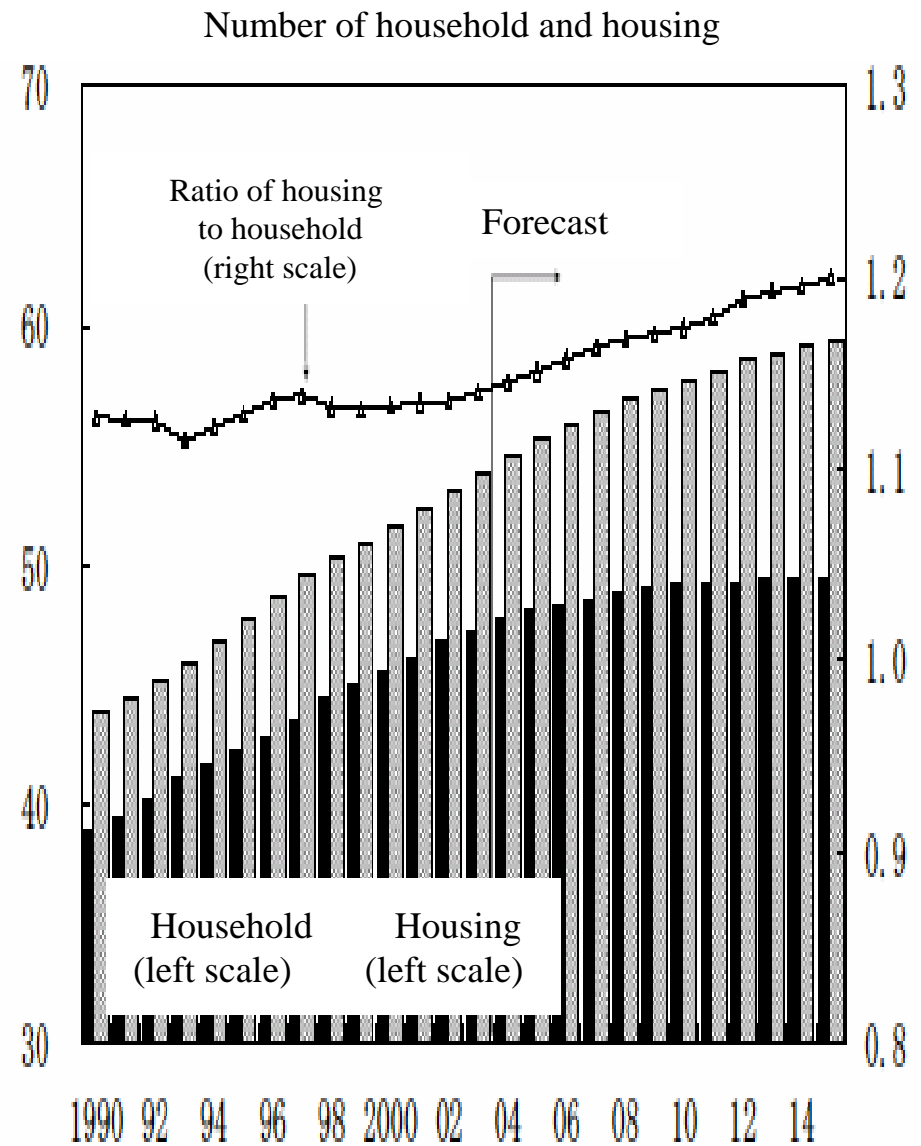


Source : Economic and Social Research Institute, Cabinet Office, Government of Japan





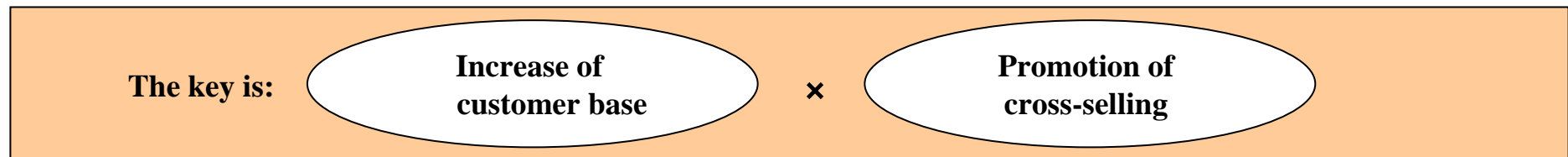
Source : Ministry of Land Infrastructure and Transport



Source : Japan Center for Economic Research  
 "The challenges for Japanese revitalization of the economy"

|                             |                                                                                                    |
|-----------------------------|----------------------------------------------------------------------------------------------------|
| <b>Conclusion</b>           | Further growth is achievable by expanding the market share in the domestic market as the “winner”. |
| <b>Business environment</b> | Expanding P&C market in Japan along with the recovery of economy                                   |
|                             | Great opportunity for the “winner” to expand the market share in Japan                             |
|                             | Large room for Cross-selling in Japan                                                              |

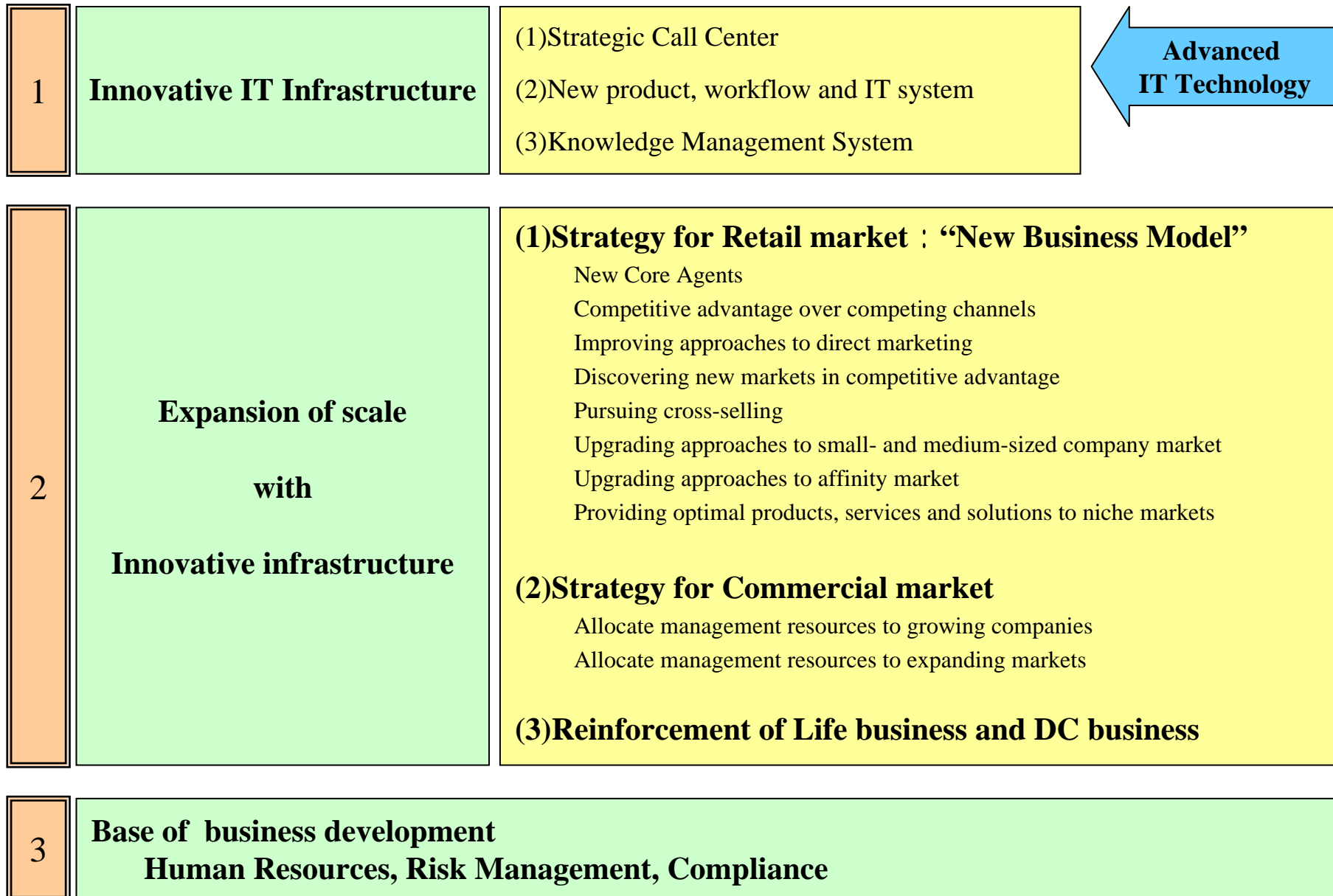
To expand market share



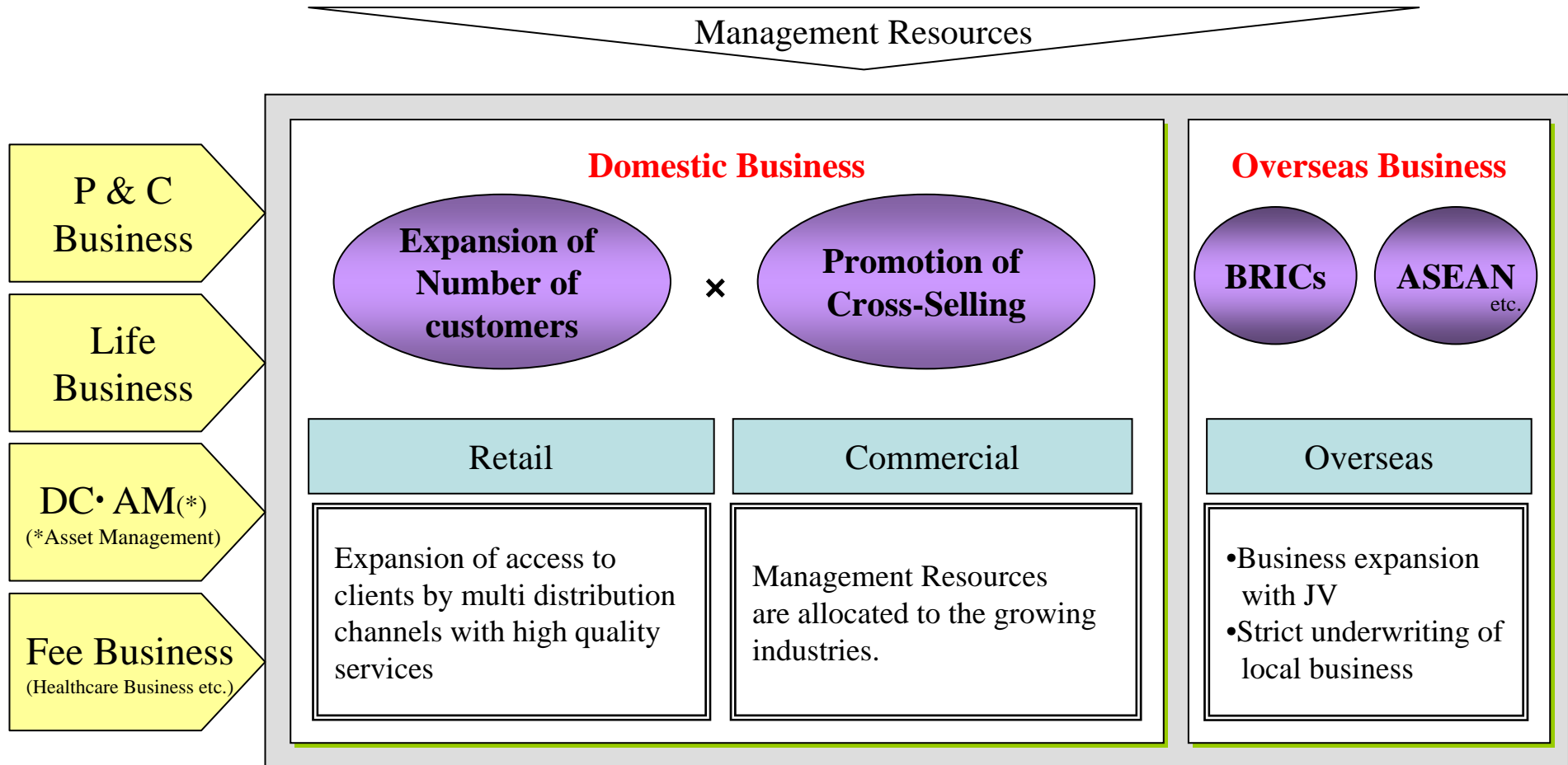
To surpass other players

|                   |          |                                                                         |
|-------------------|----------|-------------------------------------------------------------------------|
| <b>Challenges</b> | <b>1</b> | Establishment of innovative IT infrastructure                           |
|                   | <b>2</b> | Implementation of M/S expansion strategy with innovative infrastructure |

**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.**

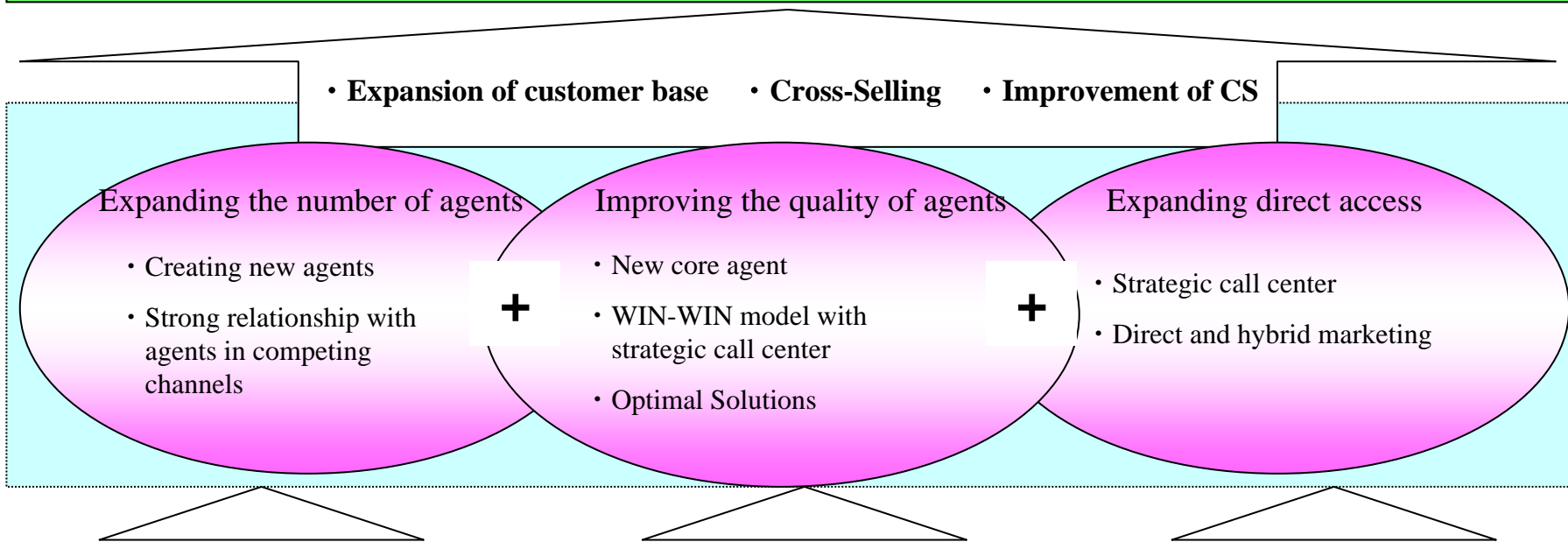


**Coexisting of “Expansion of the scale” and “Strengthen of Profitability”**



|                                |                                                                                                                  |
|--------------------------------|------------------------------------------------------------------------------------------------------------------|
| Definition of "Retail markets" | All markets except large commercial accounts<br>= 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**

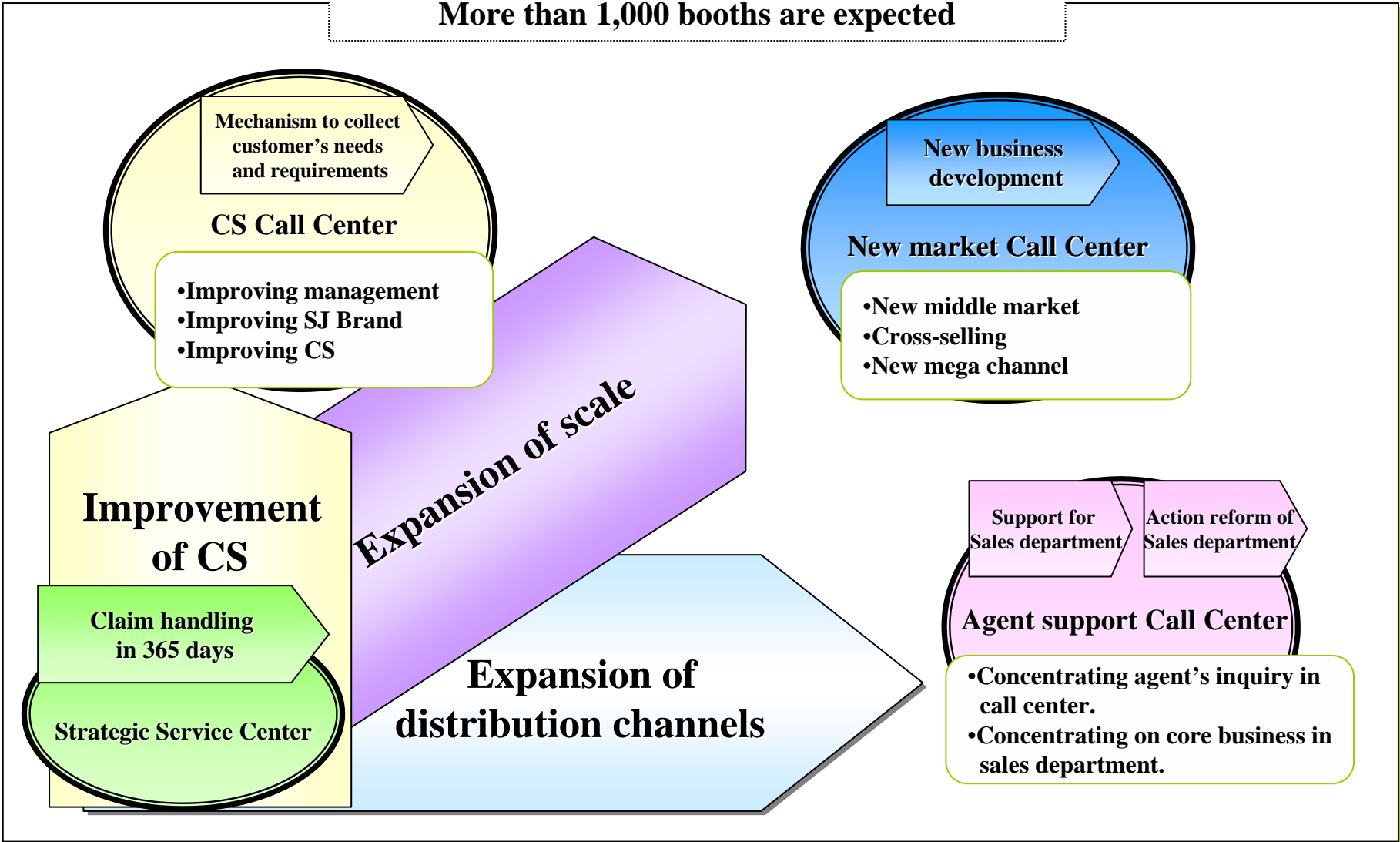
Utilization of strategic call center

Improvement of products, administration, and system

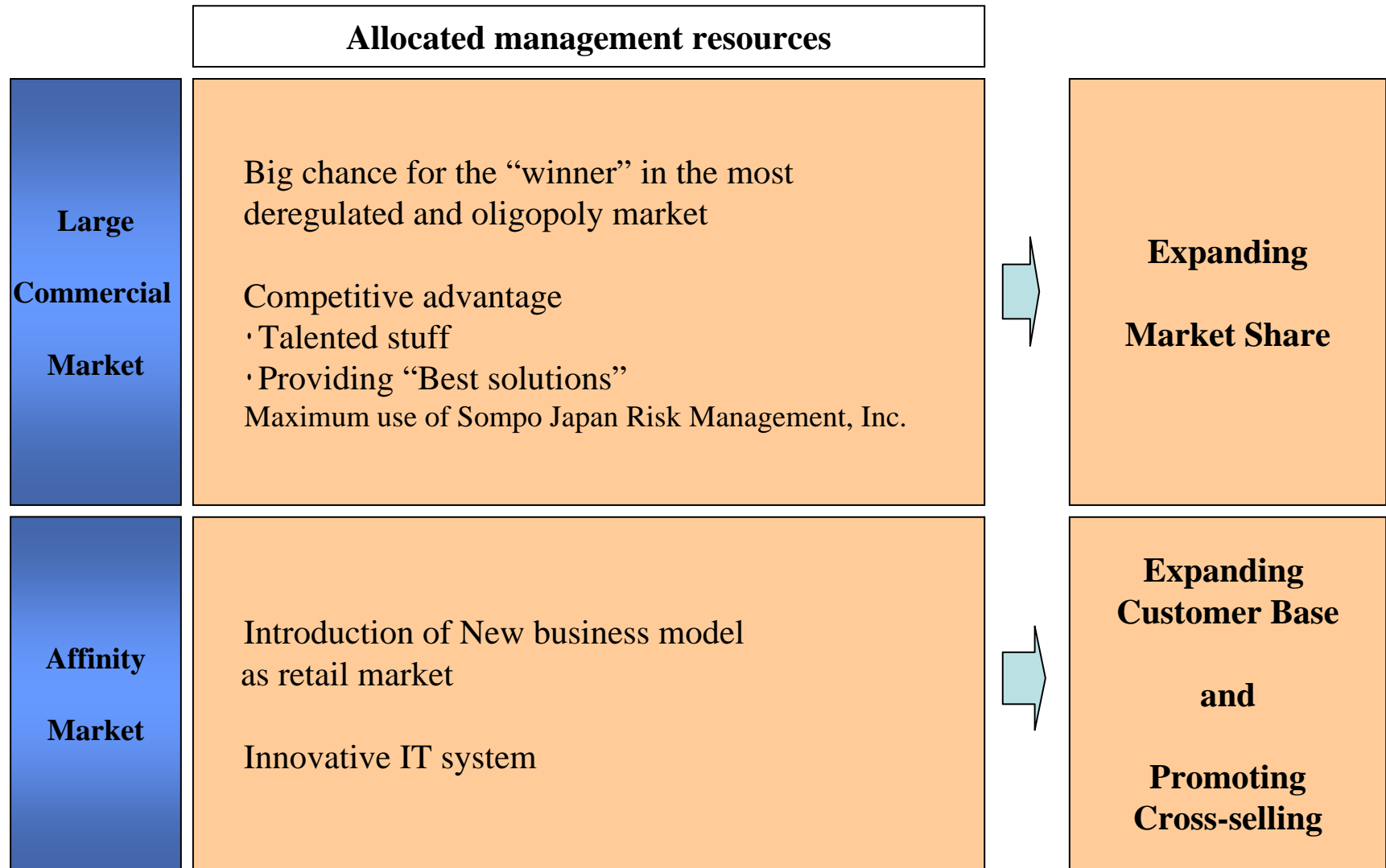
Knowledge management system

**Strategic Call Center**  
**New Business Model for expanding customer base and enhancing cross-selling**

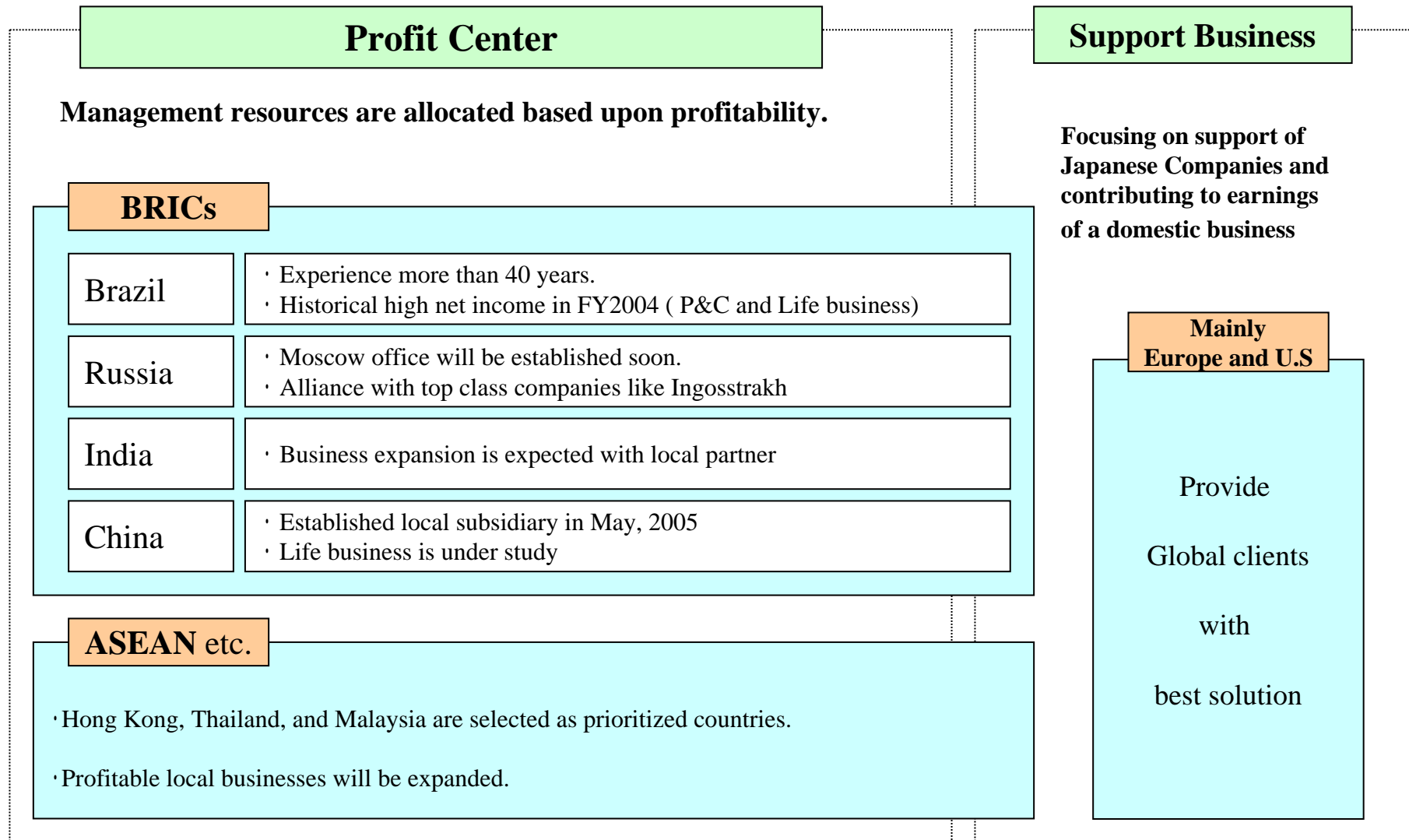
More than 1,000 booths are expected



## Reinforcement of approaches to the growing industries and markets

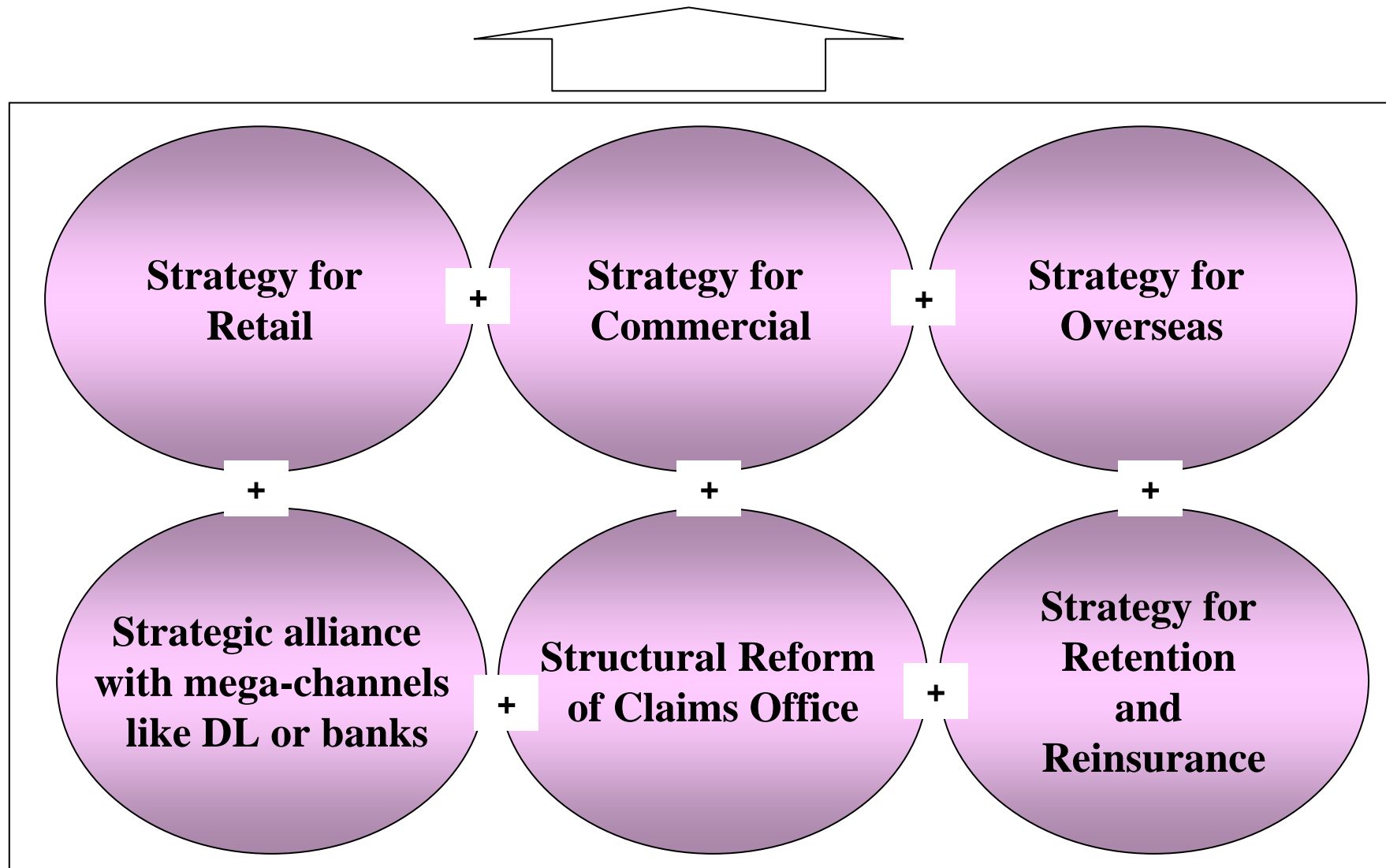


**Two categories from viewpoint of “Profitability” and “Capital Efficiency”**

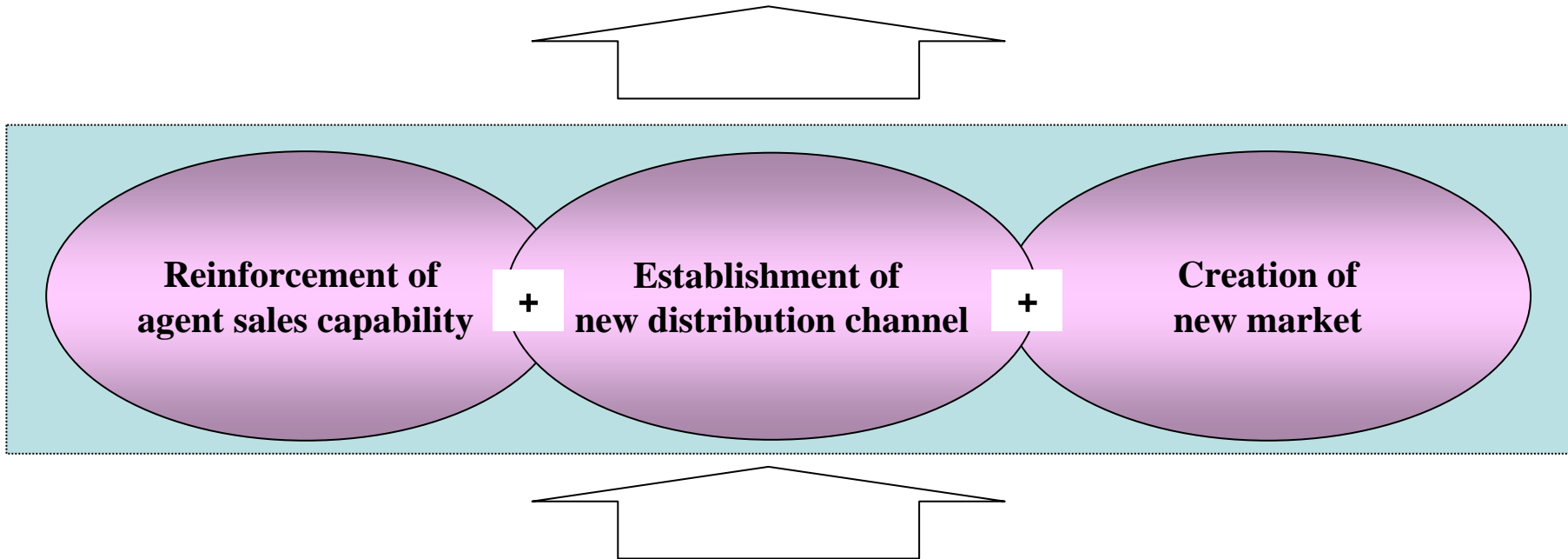




**As core business, co-existing of “Expansion of the scale”  
and “Strengthen of Profitability” are to be realized**

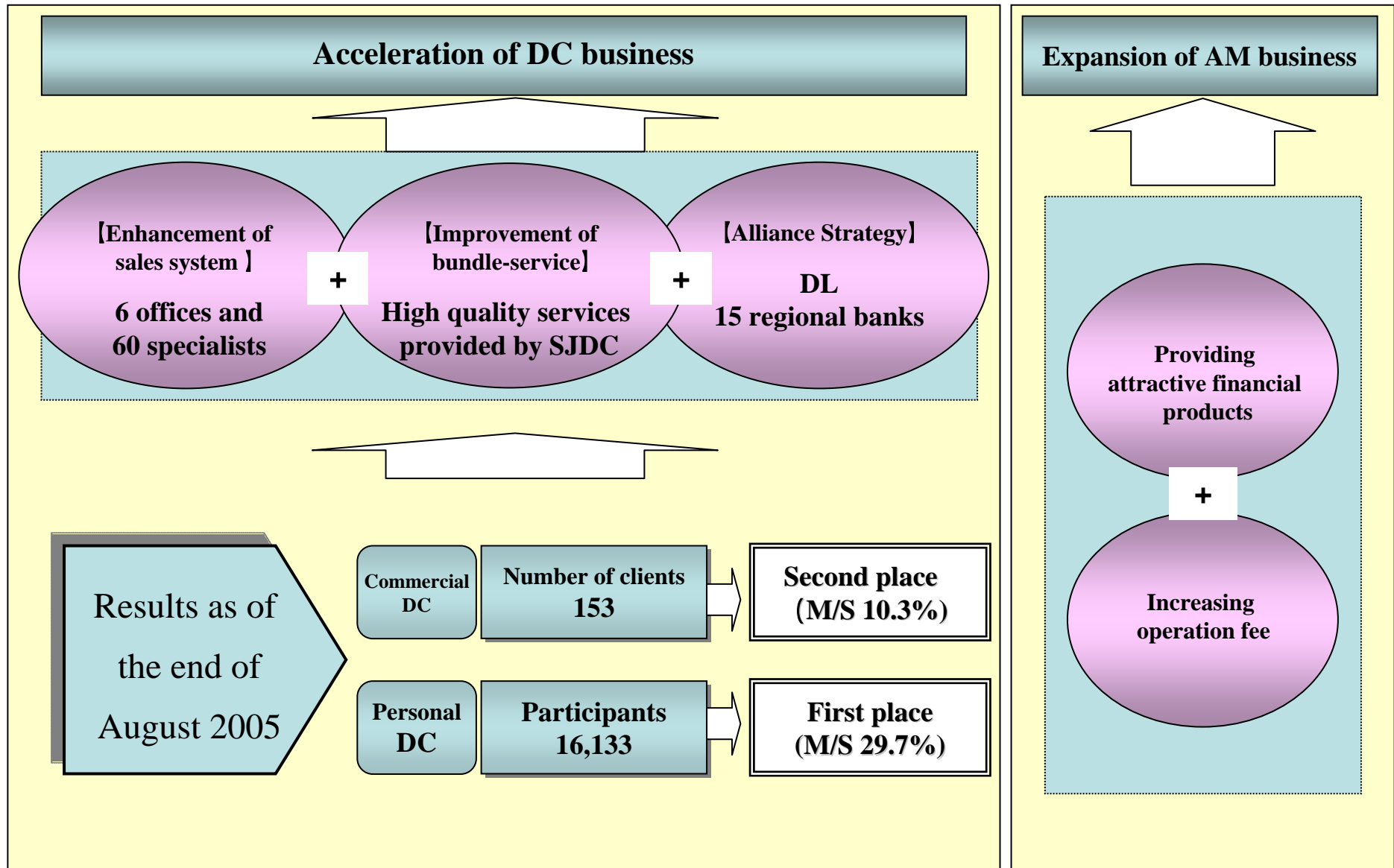


**Increase of corporate value and contribution to consolidated profit**



|                             |                                                                                                                                                                                                                                                                                                      |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Himawari Life</b></p> | <ul style="list-style-type: none"> <li>· Contributed group corporate value through larger EV (EV at end of March 2005: ¥172.4 billion)</li> <li>· Accumulation of standard liability reserve to be completed at end of FY2006</li> <li>· Expected profit ¥10 billion before tax in FY2007</li> </ul> |
| <p><b>DIY Life</b></p>      | <ul style="list-style-type: none"> <li>· Making profit on a consolidated basis in FY2006</li> <li>· Expected profit ¥ 1 billion before tax in FY2011</li> <li>· Accumulating know-how on direct marketing models</li> </ul>                                                                          |

**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  
in disease management services  
in advance of other companies**

**Development of suitable  
disease risk control system**

**Healthcare  
Frontier  
Japan**

- Joint venture with Omron Healthcare.  
(Starting in October 2005)
- Actuary technology can be used.
- Targeted customer is health insurance union.
- Fee business that provides health enhancement and disease management service.

**Investment**

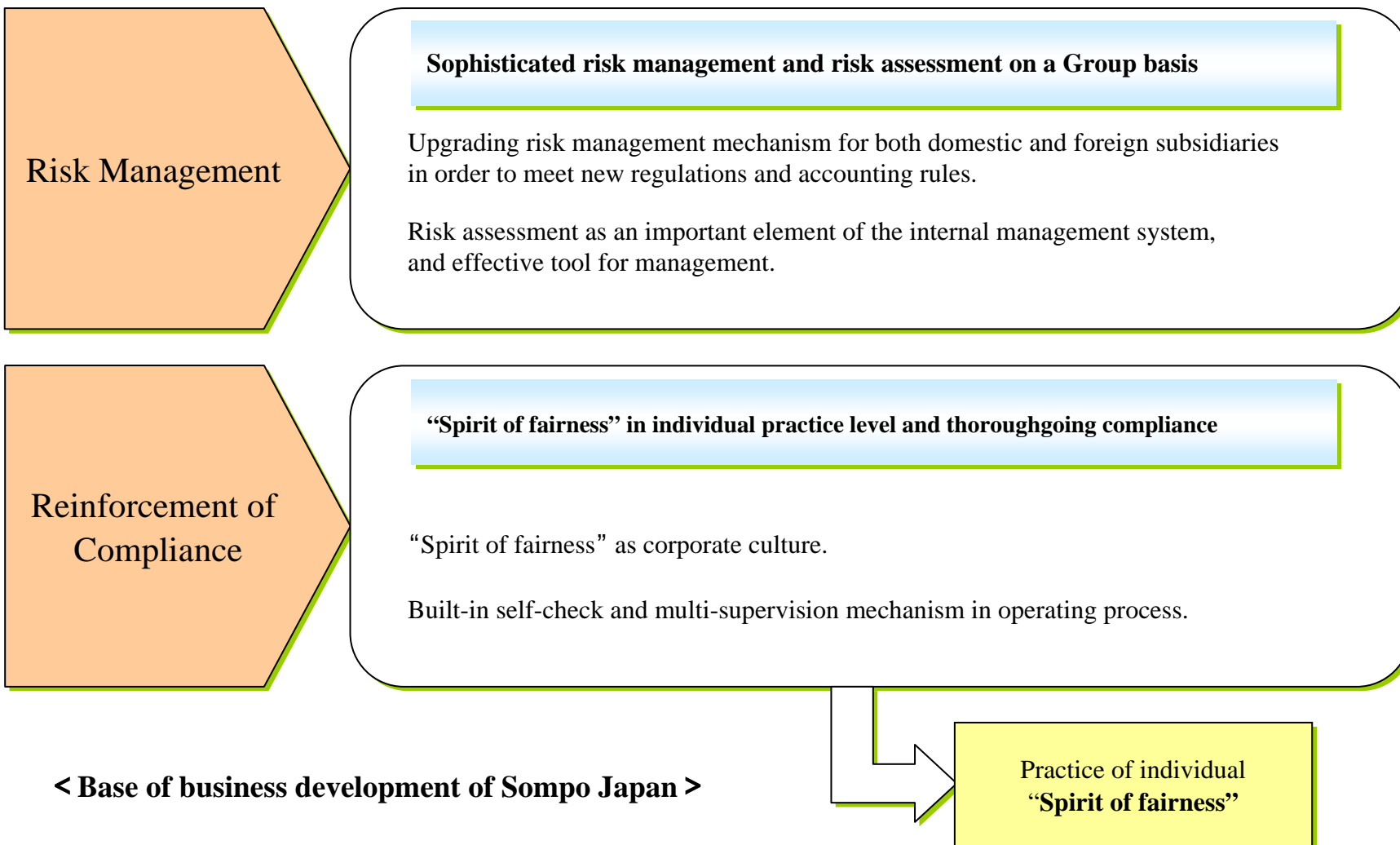
- Further improvement of efficiency
- Combination with capital strategy

- Enhancement of profitability
- Improvement of efficiency

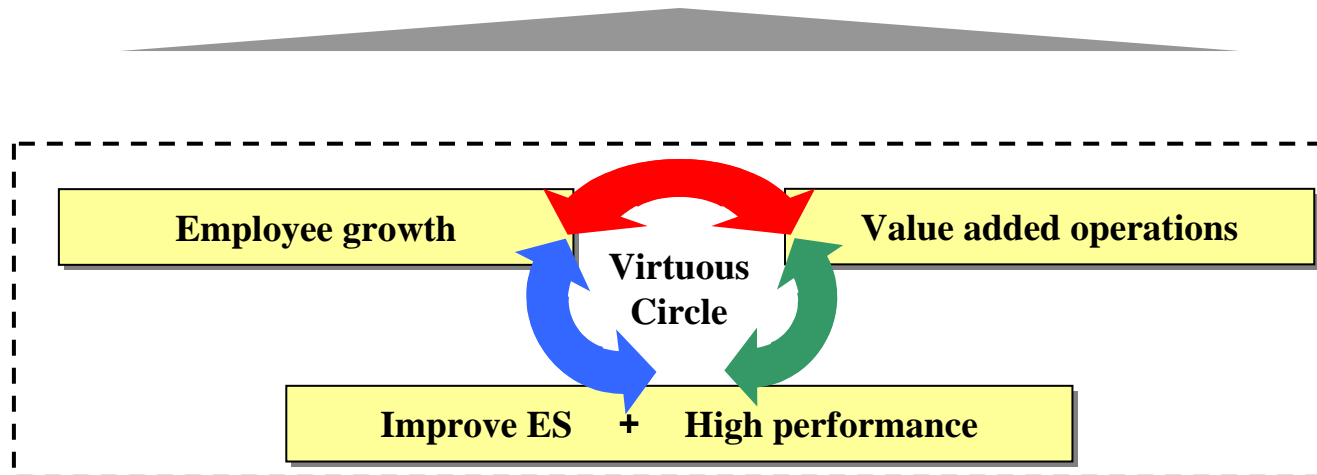
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- Cooperation with  
capital strategy

## Risk Management in SJ group and Reinforcement of Compliance



**Virtuous Circle**  
**Employee's growth   Value-added operations   ES + High performance**



- Strengthening management capability**
  - Enhancement of Expertise
- Promoting female activities**
  - Premeditated education and expansion of activity
- Improving training system**
  - High quality training at optimal timing
- Strategic staff rotation**
  - Optimal allocation of human resources

### < 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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