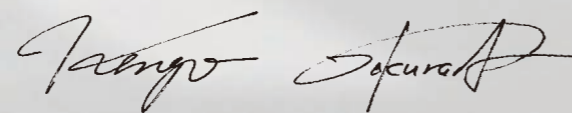


Message from the Group CEO

SOMPO's unique purpose-driven management will make it indispensable.

Kengo Sakurada

Group CEO, Director, Chairman and
Representative Executive Officer
Sompo Holdings, Inc.



Introduction

The world is undergoing VUCA (Volatility, Uncertainty, Complexity, and Ambiguity). Events unimaginable in the past have occurred in quick succession and with immense impact on our daily lives, from the normalization of extreme weather and severe natural catastrophes, to rapid advances in artificial intelligence (AI), the COVID-19 pandemic and soaring energy and resource prices due to Russia's invasion of Ukraine. In an increasingly chaotic world, we cannot predict the future even a few months ahead, let alone in a year's time.

All the more so because of the world we live in. Each person needs to think proactively, flexibly adapt to changes and overcome many challenges. There is no time to stop and think. Individuals with personal identity and organizations, a group of individuals, need to think about

the ideal nation and society, and try to make innovation happen no matter small it may be to realize a society with high levels of happiness. I call this a "Society Co-Created by *Seikatsusha*" that would be realized by various stakeholders coming together.

This Japanese term "*Seikatsusha*" encompasses individuals in their multiple roles or experiences, from that of a family member, to being a consumer, a workers, member of organizations, and as one of a group of individuals. As members of a "Society Co-Created by *Seikatsusha*," firms need to broaden the diversity and talent in their organizations, and to drive even more innovation to create "happiness" in many facets for all stakeholders in society. I believe that a precondition for this is inclusion where a diversity of individuals are valued and respected, and that "purpose" forms the foundation of inclusion.

SOMPO's purpose-driven management

Purpose-driven management unique to SOMPO

SOMPO's Purpose is to "create a society in which every person can live a healthy, prosperous and happy life in one's own way with "A Theme Park for Security, Health & Wellbeing." It sets out the social challenges that SOMPO should address, values delivered by SOMPO to the society, and approach to fundamental needs and values of humans to "live in good security, health, and wellbeing." It also indicates the future direction, such as common goal and mission, of diverse businesses and employees of Sompo Group.

At SOMPO, we are working to put our unique "purpose-driven management" at the heart of our business management. This 'SOMPO style' is expressed in the diversity of our business segments and purpose-driven management. The Group's diverse business segments, including insurance, nursing care, and digital, work along a common "Theme Park" strategy, and coordinate and cooperate across business boundaries to deliver on SOMPO's Purpose. This initiative is driven by the intrinsic "My Purpose" of our individual employees and their diverse backgrounds, and is pushed ahead by unleashing their capabilities to the fullest. This is what I consider purpose-driven management that is unique to SOMPO. SOMPO aims to become a corporate group that creates various innovations to increase the happiness of multiple stakeholders by practicing purpose-driven management unique to SOMPO.

Message from the Group CEO

“My Purpose” as a driver

“My Purpose” represents the individual’s purpose of work and life, and is intrinsic to the individual’s experience and values. “My Purpose” expressed by Sampo Group employees is diverse, such as “to bring customers more smiles through insurance” (P&C insurance) and “to provide a place for making the best memories” (Nursing Care). By aligning “My Purpose” with SOMPO’s Purpose, individuals repeatedly take on new challenges driven by their intrinsic motives to realize common purpose. We continue to develop our corporate culture in this way.

Based on the belief that it is of utmost importance for executives to speak with own words and have dialogues with employees, I have been holding town hall meetings since 2021. I have discussed “My Purpose” with Sampo Group employees around the world (cumulative total of 25,000 people) and conveyed the objective of SOMPO’s unique purpose-driven management. Because SOMPO employees from diverse business segments, countries, and regions can inspire and energize each other through discussion of “My Purpose” and SOMPO’s Purpose, I will continue to actively hold these meetings as the leader of Sampo Group.

It is more important than anything else to expand new challenges on a group-wide basis to push through purpose-driven management unique to SOMPO. In 2022, we launched a new “SOMPO Award” for outstanding Sampo Group employees around the world. The Group-wide award scheme is aimed at changing corporate culture by encouraging employees to repeatedly take on challenges driven by My Purpose and to do so without fear of failure. Although it was the first year since the launch, nearly 1,000 excellent projects driven by My Purpose were submitted for consideration. These included a SOMPO-way children’s cafeteria by a team formed to “make it widely known that nursing care is a valuable and wonderful occupation.” Another was for development of a remote support service for people with vision impairment or blindness, and driven by the desire to “realize a society where every person feels excited.” The SOMPO Award provides a forum for Sampo Group



employees to talk about own challenges driven by My Purpose and recognize each other for their efforts. I hope this would receive empathy and connect Sampo Group employees around the world, help expand the circle of new challenges, and accelerate innovation.

Developing Unrealized Financial Value into enterprise value

Enhancing Unrealized Financial Value

Efforts that form the basis of purpose-driven management, are termed “non-financial” initiatives. These efforts do not directly increase financial value, but aim to raise financial value and enterprise value in the mid- to long-term. In terms of the social value created by firms, stakeholders expect firms to work on addressing greater social challenges and deliver value. This is exactly why firms exist. The firm needs to communicate eloquently, based on evidence, about how to enhance enterprise value by commercializing “non-financial” initiatives, which social challenge the firm tries to address, and its unique social value. Together, these eventually raise enterprise value.

At SOMPO, value created by such initiatives that raise financial value and enterprise value in the mid- to long-term is what we call “Unrealized Financial Value.” We will increase these initiatives on a group-wide basis while ensuring these help raise financial value and enterprise value. Employee engagement is high at diversified organizations, while financial performance is strong at highly engaged organizations. We leverage various metrics to measure and analyze these correlations as we pursue internal and external routes to help increase financial value and enterprise value.

Social value created by “egaku,” a Real Data Platform for Nursing Care

An initiative unique to SOMPO that creates enormous social value is “egaku,” a Real Data Platform for Nursing Care that we commercialized in FY2023. Predictions are for a labor supply and demand gap in nursing care, as a result of low fertility and the aging population that would result in a system collapse by 2040 in Japan and later occur in other countries. By visualizing and analyzing real data, such as daily vital data of care home residents, “egaku” enables the best care for each person. It also brings other benefits, such as improvements to productivity and the quality of care. It allows employees to focus on the care services that only humans can provide,

making time for employees, and increasing employee satisfaction and engagement. We will roll out “egaku” to the entire nursing care industry, not just in SOMPO. We aim to make this service a de facto standard in the nursing care industry helping to close the labor supply and demand gap in nursing care, which is predicted to widen to 690,000 people in 2040. We will also contribute to a future society where everyone can receive nursing care when needed.

According to our estimates, “egaku” would close the labor supply and demand gap in nursing care by 220,000 people and create GDP-equivalent social value of 3.7 trillion yen (US\$ 27.8 billion). I have not heard of any other effective solution, in Japan or around the world, that helps close this labor supply and demand gap in nursing care, so SOMPO will confidently forge ahead to address challenges facing the world, not just Japan. We will support as many seniors as possible, steadily work on creating value by changing the future of nursing care, something only SOMPO can accomplish, and enhance enterprise value.

To become “indispensable”

Lastly, I will touch upon the Mid-Term Management Plan.

Sampo Holdings, Inc. was established in 2010 with the integration of two Japanese P&C insurance companies. Since then, we have aggressively transformed the group to establish “A Theme Park for Security, Health & Wellbeing,” a unique business model in the world, and to be “indispensable.” In our core insurance business, we have worked to build a business portfolio conducive to further growth and resilience by improving the profitability of our Japanese P&C and life insurance companies. We have done this through integration, and by establishing a global platform with the acquisition of a large foreign insurance company. We have steadily built a business foundation to realize “A Theme Park for Security, Health & Wellbeing” by fully entering the nursing care industry in 2015, investing aggressively in the digital business since 2016, and forming an alliance and strong partnership with Palantir Technologies.

Our goal under the 3-year Mid-Term Management Plan which started in FY2021 is to realize “A Theme Park for Security, Health & Wellbeing” based on these foundations.

The focus of the 3-year period is to deliver on our purpose, and the Group has worked as one in implementing initiatives. As a result, the Overseas Insurance and Reinsurance Business has become a driver of the group’s growth and established a strong financial foundation which is integral to forging ahead to realize



our Theme Park vision. The wealth of real data derived from our diverse businesses, which is one of SOMPO’s strengths, is utilized through “egaku,” a new business that creates enormous social value. In FY2022, we missed our adjusted consolidated profit target due to one-off effects but in FY2023, adjusted consolidated profit is expected to reach a new record high of 280 billion yen, and the ROE target of 10% is likely to be met. As Group CEO, I feel confident about our accomplishments towards our Theme Park vision, which we have been working on for more than 10 years.

However, if asked whether SOMPO has yet realized our Theme Park vision and became indispensable, I have to answer not to the degree I had hoped, and we need to continue the pursuit. As Group CEO, I will work closely with Mikio Okumura, our Group COO, to accelerate purpose-driven management unique to SOMPO, increase workplace diversity based on inclusion, utilize data and digital technologies to their fullest, and continue to create new value that helps to address social challenges. I will work to ensure SOMPO becomes the corporate group we aspire it to be, and to make SOMPO indispensable by ensuring we deliver unique value in the world.

Message from the Group COO

Our Purpose is to create a society in which every person can live a healthy, prosperous, and happy life in their own way.

To this purpose, we strive to meet the changing needs of customers and earn their trust while strengthening our core and our resilience.

The origin of the Sompo Group is in Tokyo Fire Insurance Company, Inc., Japan's first fire insurance company, founded in 1888. When fires occurred, Tokyo Fire Insurance Company representatives not only provided financial compensation in the form of insurance, but also rushed in before anyone else and risked their own lives to protect customers from the fire.

Over 135 years, we have inherited this DNA and it is now part of SOMPO's Purpose.

We deliver "Security, Health & Wellbeing" to our customers to create a society in which every person can live a healthy, prosperous, and happy life. To this end, we protect people from future risks facing society, create a future society for healthy and happy lives, and foster the ability to change future society through diverse talents and connections. We will continue to deliver these three values.

To achieve this, I believe it is essential to first gain an accurate grasp of the changes in society and Sompo Group's business environment, and to then take a hard look at our own business model and values and take what we learn to heart. As the Group Chief Operating Officer (COO), I am relentless in developing our future-oriented mindset and implementing what we have to do to meet the changing needs of customers and earn their trust while strengthening our core and our resilience.

Mikio Okumura

Group COO
Director
President and Representative Executive Officer



Squarely facing a tough environment

Since taking office as Group COO last April, I continue to question myself to ensure I correctly and calmly recognize the business environment in which the Group finds itself and how to squarely face harsh reality to realize SOMPO's Purpose and achieve sustainable growth.

First of all, I believe we must accept the demographic dynamics of Japan, our main market. For the first time in history, Japan is facing a permanent population decline. In fact, Japan's population declined from a peak of about 128 million people in 2008 to about 124.6 million in 2023. Since this is a decrease of only 2.6%, many may not even realize that the population is declining. However, the decline in the number

of births is remarkable. In 1965, when I was born, there were about 1.82 million births, but in 2022, there were less than 800,000 births, the lowest number in history. According to one study, Japan's population is projected to fall below 100 million by 2056, and the number of births will fall below 500,000 by 2059. In other words, there is no question that Japan is facing a steep population decline going forward.

Furthermore, expectations are that the working-age population aged 15–64 will decline from its peak of approximately 87.16 million in 1995 to 74 million in 2023 and 52.75 million in 2050. Meanwhile, the percentage of seniors aged 65 and over continues to rise, reaching 28.9% in 2022. In other words, because the number of those working is decreasing, the number of people supporting those not working is not increasing, it will be impossible for the economy to keep growing. We need to take these demographic changes to

heart and not remain stuck in a business model that assumes a steadily growing population and economy, as has been the case in the past.

Next is climate change, which is a global social issue and a growing risk. We cannot avoid this issue, both to pass on a better society to the next generation and for SOMPO to achieve sustainable growth. Natural disasters continued to rage in 2022, with insured losses of approximately 18.5 trillion yen, well over the 10-year average of 12.7 trillion yen. The intensification of natural disasters has been increasing by 5–7% annually for the past 30 years, and is expected to continue. As a Group whose core business is P&C insurance and which is expected to protect people from the risk of natural disasters, we must reconsider how we conduct business that enhances our resilience and ability to deliver peace of mind to our customers.

Moreover, supply chains have been disrupted by the COVID-19 pandemic, while inflation has continued at levels not seen in recent decades. Prices continue to rise more than expected in Japan, as evidenced by the higher-than-expected consumer price index released by the Bank of Japan in July of this year. In Japan, where deflation has persisted for a long time, not many people have experienced an economic environment of sustained inflation. Under such circumstances, it is necessary to constantly think about what to change and what not to change.

Most important of all is the transformation of customers' values and needs that accompanies these changes in the business environment. For example, when it comes to insurance procedures, value in the customer experience is advancing by leaps and bounds, with insurance that can be easily purchased with just a few clicks on a smartphone, and

Message from the Group COO



video explanations of personalized policies, among other innovations. We need to provide new services that respond to the evolution and transformation of these customer expectations. In addition, preventive and pre-symptomatic needs that arise before insurance is needed, will continue to grow in the future.

Our business model up until now has certainly worked. In the future, however, as the external environment and assumptions change significantly, society will have no need for business models, values, and ways of working based on the past, no matter how successful they were before. I recognize that there are many issues that must be re-examined, including, for example, industry practices such as cross-shareholdings between companies and joint underwriting by several insurance companies under the same terms and conditions. Above all, we need to re-examine our own mentality and corporate culture.

We must accept these realities and truths without averting our eyes, accurately identify changes in customer needs, and develop concrete measures to address them. I am determined to take the lead in driving the transformation of the Group.

What we have been working on

To respond to changes in the external environment, we have been working on scale expansion and risk diversification in the current Mid-Term Management Plan. Since the establishment of Sompo Holdings in 2010, the Domestic P&C Insurance Business has generated the majority of the Group's earnings.

However, the P&C insurance business is strongly correlated with population, which means at some point we may face a situation where it stops growing, since as I mentioned earlier, we are in an environment of steady population decline. Therefore, in addition to embarking on earnings structure reform in the Domestic P&C Insurance Business, we have been pushing ahead with a reconsideration of the earnings structure and business portfolio of the Group as a whole, including the aggressive allocation of management resources to overseas insurance markets with high growth potential, and entering the nursing care market that is expected to expand as the population ages.

This effort has shown some results. The Group's premiums written have grown significantly, mainly in our Overseas Insurance and Reinsurance Business from around 1.9 trillion yen in 2010 when Sompo Holdings was established, to nearly double at approximately 3.6 trillion yen in FY2022. I am also proud to report that our efforts towards scale expansion and risk diversification have had some success. For example, the ratio of the Overseas Insurance and Reinsurance Business to adjusted profit increased from about 15% in FY2020 before the start of the current Mid-Term Management Plan to about 43% in FY2022.

In the Japanese senior market, which is expected to expand, Sompo Group holds the No. 1 position in terms of the number of rooms for nursing care. We are seeing a good response from customers with an improving occupancy rate thanks to the expansion of nursing facilities and home-based offices, and the increasing productivity and sustained quality of our nursing care. As a result, sales in FY2023 are expected to exceed the targets set in our Mid-Term Management Plan.

There are two lessons I have learned through my experience as head of our nursing care business. One is the value of the nursing care business in enabling us to have daily contact with customers, something that is difficult to achieve with insurance. The second is the seriousness of the nursing care supply-demand gap; that is, the fact that staff involved in care cannot keep up with the increase in the number of seniors in need of care, which is a serious social problem. This is truly a national crisis that is not only a problem for Japan but is expected to be faced by other developed countries in the future, and a matter I believe SOMPO must face and solve for.

We have developed the "egaku" service as one solution to realize that vision. It enables visualization of the health status of residents in nursing care facilities and predicts the necessary support for seniors receiving nursing care. This solution not only enables appropriate services to be provided, but also reduces the burden on care workers. As a result, we expect it to improve productivity while sustaining the quality of care and improve engagement among caregivers. In turn, I believe this will contribute to closing the nursing care supply-demand gap.

We developed the "egaku" service using data sourced from nursing care users and others and technology from our partners, including Palantir, one of the world's leading data analysis companies. We will use this data and technology to meet the true needs of our customers. This is the strategy incorporated into our Real Data Platform (RDP), of which the commercialized service "egaku" is the first step.

Going forward, we will use data and technology to meet customer needs, not only in the nursing care business but in various other Group businesses. Data from our customers will help us better understand their needs, and develop and provide new services for them. We will continue to build our platform for delivering this value.

Taking on the challenge of creating new value

Again, we need to change ourselves to better meet our customers' needs. We need to rethink our organization, systems, and business model and build a structure that can respond seriously to customer needs and make quick decisions. Embedding diversity and inclusion in our organization is also essential to meeting and responding to these diverse voices and needs. That way, all executives and employees from the head office to the operational frontlines must listen to the voices of customers and other stakeholders, think proactively about what is required of us and what our end goal should be, and must speak-up and be heard within their respective organizations. Transforming into such a corporate culture is more important than anything else. To achieve sustainable growth, Sompo Group will work to strengthen resilience in the broad sense of building a strong and flexible organization that is more resilient to environmental changes.

On the financial side, in addition to the scale and diversification I mentioned earlier, we have achieved a certain level of success, such as improving investment income by having the Domestic P&C Insurance Business and the Overseas Insurance and Reinsurance Business work together as one with the aim of creating a conglomerate premium, but there is still much more to be done.

Our slogan for these efforts is "Building and Making Connections."

The Overseas Insurance and Reinsurance Business has grown to a scale approaching that of the Domestic P&C Insurance Business, and the premiums written by the Group as a whole are already among the best in the world. Tightly connecting these two businesses should make it possible to further grow the P&C insurance business by boosting its expertise in insurance underwriting, boosting its efficiency through optimal underwriting risk retention and optimized operations, and offering its products on a global basis. Going forward, as a global P&C insurance group, we will properly

assess our customers' risks, provide optimal coverage, and further improve our resilience to protect people from a wide range of risks.

In the area of health and wellness too, I believe we can work more effectively by connecting the Group's businesses. We are supporting the extension of healthy life expectancy, i.e., the ability of as many customers as possible to stay healthy for as long as possible, through the "Insurhealth®" product from our Domestic Life Insurance Business. In addition, our Nursing Care & Seniors Business is trying to contribute to closing the supply-demand gap in nursing care through the "egaku" service.

In the future, we intend to connect the services of these two businesses of life insurance and nursing care. We will use technology to connect the data from our customers, and then connect the services of various partners that support health and wellness. We will establish business-to-business connections, and use technology and data to connect with customers and stakeholders.

The Group will also provide solutions to the changing behaviors and needs of customers at each stage of their lives. To that end, we will connect the data from our customers to the various services offered by Sompo Group, including P&C insurance, life insurance, and healthcare, to support our customers take action to improve their health and wellness, and provide high-quality nursing care services as they age and need nursing care. In this way, we hope to evolve to be a companion in the lives of our customers.

I believe that the business environment and customer needs will continue to change, but rather than averting my eyes from the realities and inconvenient truths facing Sompo Group, I will seize these opportunities and lead reforms that promote growth. With the trust of our stakeholders, which is more important than anything else, I will continue to work hard to improve the Group's corporate value and realize SOMPO's Purpose.