

## IR Meeting Q&A (May 27, 2022)

### Overview

Q: As a result of Sompo's brand slogan, "a theme park for security, health, and wellbeing" becoming accepted to the society, is the nursing care business going to have a stronger presence in the Sompo Group?

A: The rising demand for nursing caregivers, as well as the number of people that have to leave their jobs in order to provide care, is becoming a social issue in both developed and developing countries. Under such circumstance, Sompo Group will pursue its all-out efforts and focus to solve this social issue. The growth of other businesses including our main insurance business is important. We aim to utilize the core resources, cash and data generated from the insurance business, in our nursing care business and become a group that solves social issues.

Q: Are employees' "My Purpose" and Sompo's "Purpose" in line with each other?

A: The Sompo Group is a place where each employee materializes what he or she aspires to do, and people joining our Group generally don't only care about themselves, but have strong desires to make others happy. This is how Sompo's "Purpose" and employee's "My Purpose" sync, and is one of the largest driving forces in realizing "a theme park for security, health, and wellbeing."

### Conglomerate Premium

Q: Could you tell us more about the specific strategies, such as credit risk taking, group-wide reinsurance and retention policy, which can drive improvement in diversification and ROE?

A: In asset management, we aim to achieve an optimized asset allocation portfolio at the Group level to maximize earnings. Regarding the retention and reinsurance strategy, we are exploring the best retention and cession strategy for the Group as a whole, in addition to the optimized risk-taking by each business lines.

Q: Could you tell us about KPIs and timelines for your multi-national businesses?

A: It is very important as a global insurance company to be able to support our customers all over the world, and we understand that there are tremendous business opportunities. We do not have specific KPIs set at the moment, but we are in the process of deciding them along with timelines of the strategy. Number of customers, customer satisfaction rating, gross premium as well as combined ratios, would be the KPI candidates.

### Growth Investment / Capital Management / Shareholder Return

Q: Are you going to be able to maintain the dividend growth pace at 50 yen for FY2023 onward?

A: The forecast for adjusted consolidated profit for FY2022 is 260 billion yen, which exceeds the original plan figure set in the Mid-Term Management Plan. This allowed us to increase the pace of dividend growth (increasing the dividend by 50 yen to 260 yen). We do not have anything concrete for FY2023 and onwards at the moment, but assuming the current pace of profit growth, we believe that the Group will be able to maintain the pace of dividend growth in FY2023 as well. We will keep an eye on our share price and determine the right balance between share buyback and dividends.

Q: The actual adjusted consolidated profit for FY2021 exceeded the plan. Could you give us the latest status

of excess capital?

A: Given the more-than-expected upswing of the adjusted consolidated profit, we considered additional shareholder return at the end of the fiscal year. However we ultimately decided not to adopt it due to increased risk volume associated with expansion of retention in SI Commercial P&C, increased volatility in financial markets, and the surplus capital was within the expected level of the original Mid-Term Management Plan.

Q: In light of the recent M&A market valuation and the status of the 600 billion yen growth investment limit, what are your thoughts on future growth investments?

A: Potential investment targets are listed by each business, and the appetite remains strong. On the overseas front, valuation of many of our potential targets remain high and does not fulfill our investment criteria. We have been discussing growth methods, including acquisition of human resource in new regions and bringing in teams. At the same time, we try to keep our discipline in place and not make the acquisition itself a goal, when considering active investments. There are investment opportunities that can generate short-term ROI like the insurance business as well as ones targeting returns in the long term. Therefore, we will manage the right mix and explore what is best in terms of enhancing corporate value.

Q: Could you tell us about your thoughts on how to adjust the capital level, if the 600 billion yen growth investment limit set in the Mid-Term Management Plan is not fully consumed?

A: We will consider the matter based on factors including (1) whether the Group can achieve the management numerical targets for FY2023 through organic growth, (2) the status of financial health, and (3) investment appetite for the next Mid-Term Management Plan.

Q: Are there any changes to the policy of reducing strategic-holding stocks?

A: Given the high dividend income brought through strategic-holding stocks in this low interest rate environment, we decreased the pace of reduction to around 150 billion yen under the current Mid-Term Management Plan. However, our policy of reducing strategic-holding stocks remains the same and we may accelerate the pace depending on progress of growth investments.

Domestic P&C Insurance Business
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Q: How are you going to achieve the target E/I combined ratio (91.7% for FY2023) set under the Mid-Term Management Plan?

A: We expect that the E/I combined ratio will gradually improve in auto insurance in the medium- to long-term, and it will improve more significantly in the fire and allied insurance mainly through pricing. The combined ratio for FY2022 will lose the positive effects of reduction in car accidents from COVID-19 pandemic in FY2021, which will be offset with the earning structure reform. We expect further improvement of the combined ratio by approximately 2 points for the Domestic P&C in FY2023, as a result of improved loss ratios in fire & allied and automobile lines, in addition to the effects of top line expansion in casualty & specialty insurance.

Q: What is the status of rate (pricing) optimization for corporate contracts?

A: As part of the earning structure reform, which we have been working on since FY2019, we are continuously optimizing underwriting terms and conditions and raising rates for high-loss ratio casualty & specialty insurance policies, not only for small- and medium-sized corporations but also for large

corporations; which has already been bearing fruit. In the future, we will aim for an even higher profit, by utilizing new technologies. For large corporations, a single contract has a significant amount of historical data and utilizing Palantir's technology enabled us to make decisions in a short period of time, already driving transformation. Going forward, we believe that optimizing facultative reinsurance by leveraging quasi-quantum computing technology will bring positive results.

Overseas Insurance Business
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Q: While market hardening may slow down, which product lines will drive SI Commercial P&C's written premium?

A: The market has become stable compared to the peak period, but rate increase is still exceeding loss cost level in Q1 FY2022. SI Commercial P&C has grown the business through bolt-on M&A's, mainly in crop, surety and aviation insurance, and organic expansion of property and casualty insurance. Reinsurance also grew in both new and renewal contracts mainly driven by increased underwriting from leading reinsurers in Europe. In the future, SI Commercial P&C will realize top-line growth through geographical expansion such as middle market in the U.S. and Continental Europe. In addition, we will focus on the bottom-line growth through risk selection and controlling underwriting terms and conditions, under the environment of top-line growth slow down.

Q: In the volatile environment where COVID-19, war risks, and financial risks are apparent, what makes the Group successful in controlling various losses compared to other companies?

A: One of the strengths of SI Commercial P&C is underwriting, for which it excels at risk selection and in managing underwriting terms and conditions. The company also has strict discipline and does not expand into areas where it does not have clear advantage. While our peers were under capacity during the COVID-19 pandemic, we were able to take a step into expanding underwriting, backed by Sompo's abundant capital. In that sense, I believe the timing was right. In terms of the COVID-19 impact, many insurers had incurred losses from vague contractual wording. On the other hand, our losses associated to COVID-19 were manageable, thanks to our conservative underwriting. We aim to maintain a favorable position in the market by continuing to leverage the underwriting strength of SI Commercial P&C and practice appropriate risk selection.

Q: Why did you sell the consumer business in Brazil at this time?

A: As a result of thorough review of the positioning in the market, capability, and the condition of the overall Brazilian market, we concluded that it is difficult to overturn the situation. Unlike in the commercial business, to be competitive in the consumer business requires the company to have certain market share and to be positioned where it can drive change. Given the size and business environment of our consumer business in Brazil, divestiture was the best action. We will continue to review unprofitable businesses and accelerate business selection and concentration where it make sense to improve corporate value.

Q: Could you tell us about the current status and future expansion strategies for SI's crop insurance?

A: On the crop insurance front, we have fully integrated Diversified Crop Insurance which we acquired into SI Commercial P&C, making us one of the leading companies in the U.S. crop insurance market. We look to expand through acquisition in profitable regions and through our reinsurance vehicles, as well as opportunities outside the U.S.

Nursing Care RDP
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Q: Is there a chance that Nursing Care RDP will be included in the government's Long-Term Care Insurance System?

A: In the Japanese nursing care industry, services are provided manually, historically, which originates to its history where family members used to be the only service providers. A preliminary calculation of Japan's Ministry of Health, Labour and Welfare (MHLW) shows there will be a shortage of 700,000 caregivers in 2040. We therefore think that it will be essential to improve caregivers' labor productivity by utilizing digital technology. It is our understanding that the government is in a phase where it started discussions to build a sustainable nursing care system. Sompo Care will participate in a demonstration project promoted by the MHLW expected to be launched in June 2022 and, over the following six months, it will demonstrate a collaboration between digital technology and human labor. The Nursing Care RDP is based on analysis of data from approximately 80,000 residents who live in Sompo Care's facilities, and utilizes Palantir's product "Foundry". Now that we have developed an app with prediction capability, we will launch sales targeting 60,000 nursing care companies. We also plan to solve social issues through developing foundation systems and providing peripheral nursing care solutions, in addition to the applications currently under development.