

Top Commitment



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The Group's Operating Environment

A variety of social issues are emerging and increasing in complexity. These include the normalization of natural disasters precipitated by climate change, such as the major hurricanes that struck North America last year; geopolitical risks stemming from instability; human rights; growing disparity among regions; and the evolution of digital technology. Japan, our home market, is facing a population decline and the rapid aging of its society. Globally, meanwhile, international society is seeing a widening of the scope of its shared tasks, such as the SDGs that the United Nations has established. The annual meeting of the World Economic Forum, often called the Davos Forum, which I attend every year, discusses solutions to such tasks. This year's discussion was themed on "Creating a Shared Future in a Fractured World." Addressing social issues through individual bodies is no longer practical. Governments, companies, and nonprofit organizations must address issues by transcending existing boundaries and involving and coexisting with new organizations.

In this environment, significant threats to the Group not only include population declines and climate change but also disruption of existing markets caused by digital transformation. For example, in the P&C insurance

business demand for automobile insurance could decrease with the spread of self-driving cars. Also, forays into the insurance industry by ICT-based companies could disrupt it dramatically. Thus, society is in an era of volatility, uncertainty, complexity, and ambiguity, and I believe that the Group's operating environment will change significantly.

The Group's Vision

To win out in such an era, the Sampo Holdings Group will move beyond the confines of its mainstay insurance business and transform into a unique, progressive "theme park for the security, health, and wellbeing of customers" that can "contribute to the security, health, and wellbeing of customers by providing insurance and related services of the highest quality possible."

Stakeholders sometimes ask about the concept behind the vision referred to by a "theme park for the security, health, and wellbeing of customers." I would explain as follow. Basically, the Group's mainstay insurance business allows customers to prepare for emergencies. Under the "theme park for the security, health, and wellbeing of customers" vision, however, our goal is not only to mitigate the effects of accidents or illnesses but also to help customers sustain their present happiness and, if possible, make them even happier. In other words, we will maintain or make a positive contribution to customers' quality of life. Theme parks are places for having fun, being happy, and directly experiencing such things as rides and snacks. In a similar way, we want to give customers a tangible sense of security, health, and wellbeing through the products and services that we provide. For example, requiring nursing care is never a welcome development for a person or his or her family. However, we want to help ensure that, if nursing care is required, customers know that there are reliable places to which they can entrust the care of their loved ones and where these family members can live happily. This is the sense in which we use the phrase "theme park."

Transformation into "Theme Park for the Security, Health, and Wellbeing of Customers"

Transformation and Ecosystems

What does transformation mean for the Sampo Holdings Group? It does not simply entail increasing scale, becoming robust, or revamping the organization. Transformation means achieving qualitative evolution. Accordingly, we will revolutionize our businesses by creating business models that depart from the past completely. While optimizing digital technologies, capital, and other management resources, the Group will reform its entire business portfolio. Rather than just focusing on collaborations among existing frameworks or Group organizations, we will build ecosystems that link us to external partners with outstanding expertise and potential. By influencing each other and heightening our capabilities as a whole, we will become a "theme park for the security, health, and wellbeing of customers." This will be the Group's qualitative evolution, or transformation.

Indispensable elements for Transformation: Digital Technology × Personnel

We need two elements to realize transformation—digital technology and personnel. To convert the impending digital transformation and disruption into an opportunity, we have to grasp trends in the world of digital technology more quickly and take action beyond existing frameworks and business models. With this in mind, we have established SOMPO Digital Lab in Tokyo and Silicon Valley, the United States. We have also established a lab in Israel, which is in the vanguard of technology development. SOMPO Digital Lab is advancing a range of leading-edge initiatives, such as developing digital technology applications for existing businesses and venturing into the cybersecurity business.

While extremely important, being well informed about the latest technologies is in itself not enough to bring about transformation. In the digital era, personnel are the most significant and the ultimate differentiating factor. No matter how far AI or robotics progress, they will never be able to empathize or make decisions about complex, unresolvable problems while taking into account broad perspectives. To put it another way, I think that the roles of personnel will become even more important in the digital era. Emotional intelligence will be the main attribute, and personnel with well-developed emotional intelligence will be the key drivers of the digital era. Therefore, we will foster many emotionally intelligent personnel while diversifying our workforce by developing or hiring personnel with professional competence or rare talents. These personnel will drive our transformation.

I believe that our initiatives in this regard will create new value, enable us to see social issues as opportunities, enhance long-term corporate value, and help realize a sustainable society.

Progress under the Mid-Term Management Plan

Through the five-year Mid-Term Management Plan that began in fiscal 2016, the Sompo Holdings Group will realize transformation into the type of organization that I have been outlining.

The current fiscal year is the plan's third fiscal year. We will further evolve the foundations that we have built, achieve benefits steadily, and accelerate initiatives to realize a "theme park for the security, health, and wellbeing of customers." Also, at an early stage in the period from fiscal 2020 onward we want to attain a business scale and capital efficiency on a par with the level of the top 10 global publicly listed insurance companies. Specifically, we are targeting adjusted consolidated profit of over ¥300.0 billion and adjusted consolidated ROE of over 10.0%. To these ends, with stable earnings generation and a robust capital base as foundations, we will establish a continuous growth cycle by increasing the profitability of existing businesses and realizing investment opportunities through the transformation of and collaboration among businesses.

In fiscal 2017, adjusted consolidated profit declined ¥20.5 billion year on year, to ¥162.7 billion, reflecting the effects of natural disasters, such as the hurricanes in North America, and large-scale accidents in Japan and overseas. In fiscal 2018, however, we expect adjusted consolidated profit to reach a record ¥220.0 billion* thanks to higher earnings from businesses.

Regarding returns to shareholders, in fiscal 2017 we increased dividends per share by ¥20 year on year and implemented total share buybacks of ¥39.1 billion, thereby realizing our medium-to-long-term target of a total payout ratio of 50% for the fourth consecutive year. Moreover, in line with earnings, we expect to increase dividends for the fifth straight year in fiscal 2018.

During the two fiscal years since launching the Mid-Term Management Plan, the initiatives of each business have made solid progress. Going forward, we will continue to steadily implement strategies aimed at realizing a “theme park for the security, health, and wellbeing of customers.”

The Domestic P&C Insurance Business

We aim to sustain growth by revising business processes developed over many years and reforming a corporate culture that has a 130-year history. We are innovating to grow existing businesses and create new value. As well as using AI, robotic process automation (RPA), and other digital technologies to increase productivity, we are partnering with progressive companies outside the insurance industry to develop mold-breaking products and services.

The Domestic Life Insurance Business

By rolling out “Insurhealth,” which integrates traditional insurance services and health care, we are offering new value and transforming into a health support enterprise that aids people in leading healthy lives. More specifically, we established the health service brand Linkx (pronounced “link cross”). Under this brand, we have launched new type income compensation product, which reduces the premiums of customers whose health improves and provides them with a reimbursement of the difference between the former and reduced premiums dating back to the time of policy enrollment. Through such products and services, we will offer new value in the form of health maintenance and promotion.

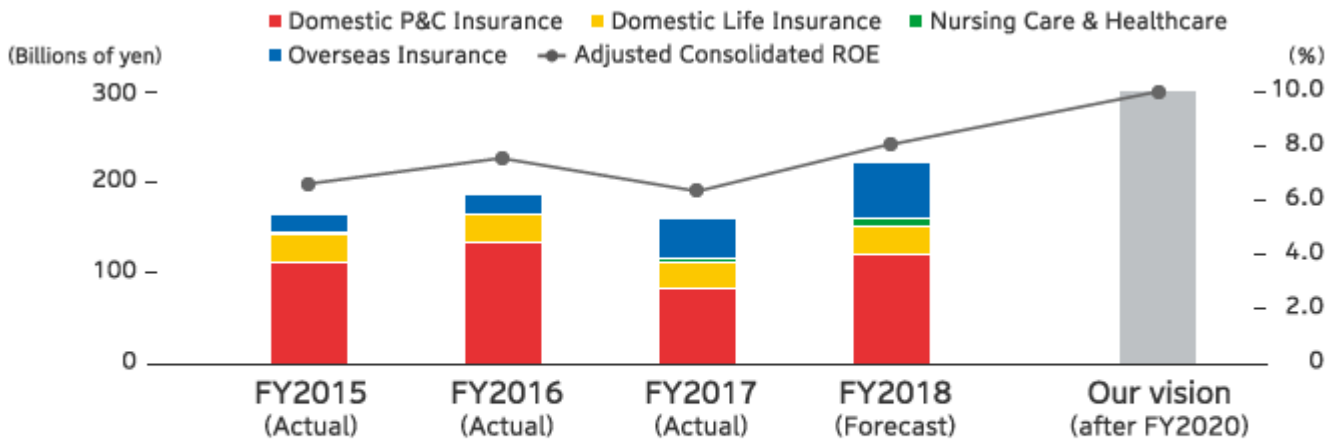
The Nursing Care & Healthcare Business

Thanks to a steady rise in the occupancy rate, this business achieved its goal of moving into the black in fiscal 2017. Also, we will simultaneously heighten service quality and reduce costs through the merger of the two main operating companies, which we began implementing in July 2018^{*}. In addition, anticipating the rapid aging of society, we are taking measures to extend healthy life expectancy. As part of these efforts, we have established the basis for industry–academia–government partnerships tasked with reducing and preventing dementia. Thus, our focus will not just be on growing the Group but on addressing social issues and helping make “Japan, an affluent country that can boast to the world of a long and quality life.”

* Former Sompo Care Message Inc. and Sompo Care Next Inc. merge to Sompo Care Inc.

The Overseas Insurance Business

In developed countries, we have completed a reorganization centered on Sompo International, acquired in March 2017, and this effort is already bearing fruit. For example, our underwriting has become more sophisticated. Also, we have established AgriSompo, which is rolling out crop insurance globally. Further, we intend to build a platform that encompasses insurance businesses in the retail fields of emerging markets. We are building the world’s first truly integrated global insurance platform.



Adjusted consolidated profit *	164.3 billion yen	183.2 billion yen	162.7 billion yen	220.0 billion yen	▶ Toward global top 10 (300.0 billion yen level)
Adjusted consolidated ROE *	6.9%	7.6%	6.4%	8.3%	▶ Over 10.0%

The Group's previous numerical targets for fiscal 2018 under the Mid-Term Management Plan announced in November 2016 were adjusted consolidated profit of between ¥220.0 billion and ¥230.0 billion and adjusted consolidated ROE of over 8.0%.

* For details regarding ROE, please refer to the link below.

▶ [Definition of Adjusted Consolidated Profit, Etc. \(PDF/187KB\)](#)