

# Transformation through Qualitative Evolution and Mid-Term Management Plan

The Sompo Group has been steadily advancing the transformation (qualitative evolution) of the entire Group and each business with the aim of realizing “A Theme Park for Security, Health & Wellbeing.” After it was established in 2010, the Sompo Group has built its current business foundation by entering the nursing care business and proactively shifting management resources to growth fields, while focusing efforts on enhancing earnings capabilities by integrating the domestic P&C insurance business. Under the current Mid-Term Management Plan, which commenced in 2016, Sompo Holdings has accelerated the development of products, services, and new businesses untethered to existing businesses, transforming its business portfolio and diversifying business domains and earnings sources. In fiscal 2020, the final year of the current Mid-Term Management Plan, we are making a final push at transformation (qualitative evolution) toward the realization of “A Theme Park for Security, Health & Wellbeing.”



## Building a Foundation for Growth

**Basic Strategy**

Maximize synergies from business integration

**Strategies and Outcomes**

- Increase business efficiency by integrating management of two core companies in domestic P&C insurance business
- Provide high-quality products and services by sharing and refining know-how
- Strengthen asset management capabilities
- Facilitate the early and smooth integration of two companies in domestic life insurance business
- Boost earnings by developing local markets and pursuing M&A and tie-ups in overseas underwriting business
- Establish assistance business and expand earnings sources through Group-wide sharing of financial services, etc.

**Issues**

- Increase profitability and build a highly integrated model by merging two companies in domestic P&C insurance business
- Monetize and share business foundation, including Group businesses

## Establishing a Business Foundation

**Basic Strategy**

Proactively shift management resources to growth fields while improving profitability of existing businesses

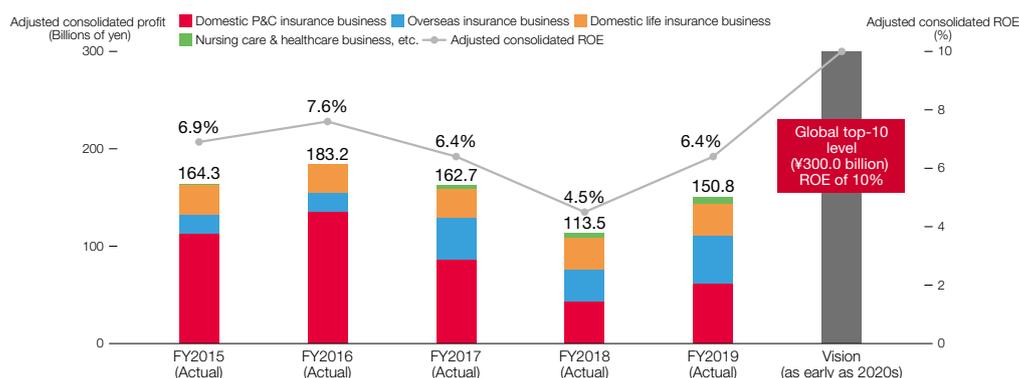
**Strategies and Outcomes**

- Creation of Sompo Japan Nipponkoa Insurance (now Sompo Japan Insurance) through merger of two core companies in domestic P&C insurance business
- Realization of higher business efficiency through early unification
- Earnings improvement on changes to rating system for automobile insurance
- Expansion of customer base by utilizing direct channels
- Higher weighting and greater scale in protection-type products in domestic life insurance business
- Execution of balanced M&A in specialty fields in Europe and the U.S. and retail fields, centered on automobile insurance in emerging markets, in overseas insurance business
- Full-scale entry into services business, including nursing care business and remodeling business acquisitions
- Begin advance into truly service-oriented industry by providing various progressive services

**Issues**

- Stopping at bolstering profitability in domestic insurance businesses, pursuit of scale and efficiency on a par with global players, and transforming structure to align with service-oriented industry

**Progress on KPIs (Adjusted Consolidated Profit and Adjusted Consolidated ROE)**



2016–2018  
First half of current  
Mid-Term Management Plan

## Accelerating of Qualitative Evolution

### Basic Strategy

Build a business foundation for realizing  
“A Theme Park for Security, Health & Wellbeing”

### Strategies and Outcomes

#### ■ Establish and Sharpen Advantages in Each Business

- In the domestic P&C insurance business, reform the earnings structure by reviewing pricing strategy, etc., enhance preparations for natural catastrophe risks, and manage risk by unwinding cross-shareholdings
- In the overseas insurance business, make steady progress on post-merger integration with major acquisition Endurance (now Sampo International), launch retail platform concept, etc.
- In the domestic life insurance business, begin transformation into health support company centered on Insurhealth®
- In the nursing care & healthcare business, quickly turn profitably by improving productivity and merging / integrating Group companies

#### ■ Group-Wide Strategy

- Advance digital strategy, build a global trilateral structure, and enter the cybersecurity business (Sampo Risk Management)
- Introduction of Business Owner system and Group Chief Officer (CxO) system, build a Group governance platform for transition to Company with Committees structure

### Issues

- Earnings remained weak due to external factors, such as major natural catastrophes, despite steady growth at the outset of the plan. Issues include profit contributions and monetization with built-up business foundation.

2019–2020  
Second half of current  
Mid-Term Management Plan

## Realizing Strong Growth

### Basic Strategy

Implement measures to realize  
“A Theme Park for Security, Health & Wellbeing”

### Strategies

#### ■ Establish and Sharpen Advantages in Each Business

- In the domestic P&C insurance business, reform earnings structure by optimizing pricing strategy and thoroughly reviewing business expenses, create new points of contact with customers, and establish new sources of earnings
- In the overseas insurance business, accelerate growth using global platforms and expand business foundation through bolt-on M&A
- In the domestic life insurance business, expand Insurhealth®, a combination of insurance and services to help maintain and improve health
- In the nursing care & healthcare business, increase productivity, turn a profit in peripheral businesses, and build a Sampo brand strong in dementia healthcare

#### ■ Group-Wide Strategy

- Advance digital technology in existing businesses and proceed with data-driven business strategy
- Change the business portfolio, diversify business domains, and secure stable earnings sources
- Promote the globalization of management, mission-based work styles, and productivity by reforming the corporate culture

### Issues

- Identify future issues and trends caused by changes in society and people's behavior during and after COVID-19

These reforms align with the Sampo Group's aim of becoming “A Theme Park for Security, Health & Wellbeing,” and we will continue to pursue Group reforms.

# Business Environment and Medium-to-Long-Term Course

Although COVID-19 has increased uncertainties in the business environment, the Sampo Group views imaginable risks as business opportunities, and will strive to contribute to the security, health, and wellbeing of its customers and society as a whole by providing insurance and related services of the highest quality possible.

## Politics

- Rise of protectionism and populism
- Increase in international political conflicts and trade friction
- Ballooning global debt (financial collapse of some emerging countries, enlarged fiscal deficits in developed countries)
- Large-scale immigration and refugees due to political instability

## Economy

- Creation of economic blocks, corporate supply chain reorganization, vulnerabilities
- Changes in industry landscape from acceleration of digital technologies, including remote and non-contact technologies
- Flattening of global economic growth due to COVID-19
- Shift in focus to stakeholders with emphasis on diversity
- Expansion of investments and financing with emphasis on ESG

## Society

- Increase in risks simultaneously happening in other regions (pandemics, cyberattacks, etc.)
- Larger and more severe wind and water damage, earthquakes and other natural catastrophes, and global climate change and global warming
- Increase in international conflicts, ethnic conflicts
- Greater inequality, such as poverty, permanent inequality
- Changes in labor markets
- Risk-off demand for predictions, forecasts and prevention using real data
- Population growth in emerging countries, growth of middle class
- Increase in elderly people worldwide
- Transition to carbon-free society
- Sharing economy
- Acceleration of initiatives for next-generation mobility

## Technology

- Cybersecurity threats (information leakage, infrastructure damage)
- New automotive technology (automatic braking systems, self-driving cars, etc.)
- Non-contact healthcare and nursing services, labor reduction (online, sensors, etc.)
- Advances in clean energy technology
- Utilization of big data and advances in AI technology
- Advances in robot technology (for welfare settings, caregiving, etc.)

## Rapid Technological Innovation and Digitalization

### Risks

- Digital disruption and industry commoditization leading to tougher competition as companies from other sectors enter the insurance business
- Decline in accidents thanks to self-driving car technologies, less demand for insurance due to advances in CASE\*
- Advanced data use, higher severity of cyber risks
- Departure of talented personnel who have diverse backgrounds and specialist knowledge etc.

### Opportunities

- Greater potential in new businesses outside boundaries of insurance
- Creation of new business models for sharing economy
- Development of customer-oriented products that precisely match market needs
- Business models based on real data, cybersecurity
- Diverse employment formats, personnel management changes etc.

\* Connected, autonomous, shared & services, and electric

## Changes in Market Conditions

### Risks

- Tougher competition in shrinking market
- Changes in needs from low birth rates and increase in elderly people
- Divergence between urban and rural
- Personnel shortages due to declining populations etc.

### Opportunities

- Expansion of market share with high-quality services and increase in productivity via growth and work efficiency gains
- Growth in senior citizen market and development of new products and services
- Industry-government-academia projects to create problem-solving communities based on concepts of sharing and helping one another
- Work-style reform (diverse work styles, focus on output) etc.

## Climate Change and Natural Catastrophes

### Risks

- Increase in insurance payments due to more severe natural catastrophes
- Diminished business environment and foundation from the erosion and depletion of natural capital
- Changes in reinsurance market due to climate change and global warming etc.

### Opportunities

- Strengthening of resilience to natural catastrophes, dispersion of risks in business portfolio
- Growth in ESG investments, development of products and services for decarbonized society
- Use of advanced technology to detect risks, creation of business models resilient to change etc.

► For more details about risks and opportunities related to climate change, please see page 28.

## The Sampo Group's Management Objectives

- Enhance profitability of insurance business
- Improve balance between profitability and growth, decentralization caused by globalization
- Strengthen resilience through selection and concentration

- Expand services and secure earnings sources by expanding into peripheral business domains
- Provide total solutions for security, health, and wellbeing of customers
- Enact qualitative evolution and change in business portfolio

- Formulate data-driven growth strategies utilizing IT and digital technology
- Create new businesses by collaborating with advanced players
- Decide prices from a customer perspective

- Change business models with advanced digital technology (including remote work, online processes)
- Increase productivity and work efficiency in business divisions

- Solve social issues with Group strengths
- Build and commercialize a Real Data Platform
- Collaborate with stakeholders, proactively participate in initiatives
- Invest in ESG initiatives and the SDGs, step up initiatives

- Diversify and professionalize human resources who can innovate
- Emphasize output, change work styles during and after COVID-19
- Corporate culture reform (mission-driven, results-oriented)

Realize a society in which each and every person is empowered to find the best way to lead a richer life

### A Theme Park for Security, Health & Wellbeing

The theme park created by matching various SOMPO solutions to each customer's needs



For the deeply held desire of people to live safer, healthier and more secure lives

# Sustainability

## History of the Sampo Group

### 1888

- Founding of Tokyo Fire Insurance Company, Inc. (now Sampo Japan Insurance Inc.), as Japan's first fire insurance company

Created a private fire brigade to protect customers from fire 24 hours a day, 365 days a year in Tokyo, which had many fires back then



### 1992

- Established the Department of Global Environment (a first for a financial institution in Japan)

### 1998

- Published Environmental Report

### 1999

- Launched the Sampo Japan Green Open Fund ("Buna no Mori") eco-fund

### 2001

- Published *Environment and Social Report 2001: Sustainability Report* (a first for a financial institution in Japan)

### 2011–2012

- Identified Group CSR Material Issues

### 2013–2014

- Created Group CSR-KPIs

## History of Initiatives to Address Social Issues

The forerunner to the Sampo Group, Tokyo Fire Insurance Company, Inc., was founded in 1888 as Japan's first fire insurance company with the desire to protect the residents of Tokyo from fire. Today, the Group works to solve a variety of social issues toward the realization of a sustainable society, amid major changes in the social and economic landscape, such as population declines, low birth rates and an expanding elderly demographic, climate change, and technological advances.

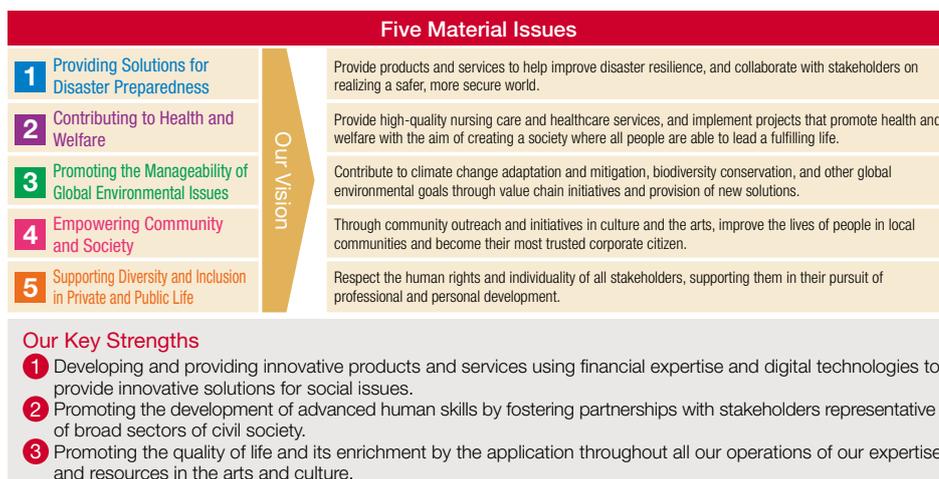
In 1992, the Group established the Department of Global Environment (a first for a financial institution in Japan), tackling global environmental problems from an early stage. We began to publish the Environmental Report in 1998, and Sampo Asset Management started to manage the Sampo Japan Green Open Fund ("Buna no Mori") eco-fund in 1999. In 2001, the Company stepped up its efforts to disclose information with the publication of *Environment and Social Report 2001: Sustainability Report*, another first for a financial institution in Japan.

The effectiveness of Group-wide initiatives was reinforced with the inauguration of NKSJ Holdings, Inc. (now Sampo Holdings, Inc.), and the formulation of the Group CSR Vision in April 2010, the identification of Group CSR Material Issues in 2011–2012, and the creation of Group CSR-KPIs in 2013–2014.

In 2016, we started the Mid-Term Management Plan with the aim of achieving "A Theme Park for Security, Health & Wellbeing," and revised the Group CSR Material Issues to align better with trends in international society, such as the SDGs and the Paris Agreement. In 2018, with the intention of mitigating climate change, we set medium-to-long-term goals for reducing greenhouse gas emissions, targeting reductions of 21% by fiscal 2030 and 51% by fiscal 2050, compared with fiscal 2017 levels.

## Group CSR Material Issues

The Group has identified social issues to address, and has decided on three key approaches that leverage Group strengths in order to continue efforts toward a sustainable society.



**2015**

- United Nation adopted the Sustainable Development Goals (SDGs)
- UN adopted the Paris Agreement
- Full-scale entry into the nursing care business

**2016**

- Started Mid-Term Management Plan to realize "A Theme Park for Security, Health & Wellbeing"
- Revised Group CSR Material Issues in light of trends in international society

**2018**

- Committed to help create Science Based Targets (SBT) and participated in financial SBT expert advisory group
- Set new medium-to-long-term targets to reduce greenhouse gas emissions based on Paris Agreement

**2020**

- Created Sustainability/CSR Committee

## Strengths and Characteristics

### Stakeholder Engagement

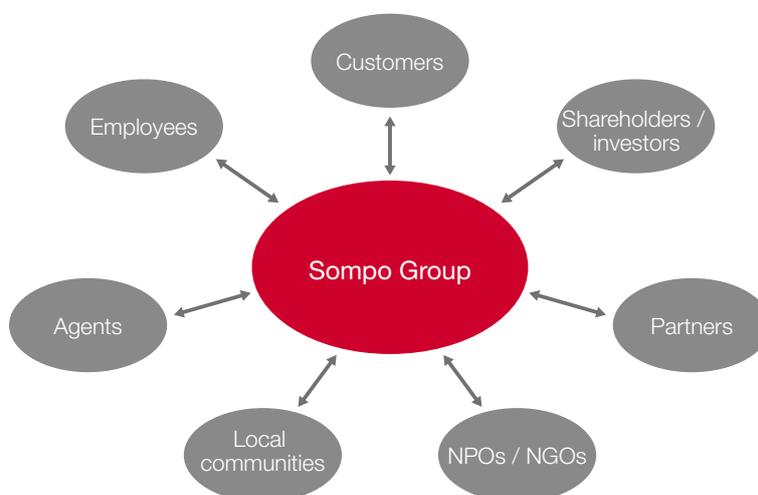
The Group places a priority on stakeholder engagement in keeping with the belief that communication with stakeholders is essential to amplify outcomes, by building relationships based on trust and cooperation while furthering a deeper understanding of social issues.

We have two primary aims in stakeholder engagement.

1. Reflect stakeholder opinions in Group decision-making to spark innovation in business and improve quality
2. Deepen mutual understanding and collaboration by proactively engaging with stakeholders to become a group that takes action toward creating a better society while sharing value systems with stakeholders

The Group aims to improve on these efforts by constantly engaging with stakeholders, while developing and advancing products and services that contribute to solutions for social issues, based on Group CSR Material Issues and Group CSR-KPIs.

We aim to help solve social issues that have materialized and worsened as a result of the COVID-19 pandemic, by providing support to local NPOs and medical institutions.



**Proactive Participation in Initiatives**

By participating in initiatives around the world, the Group takes advantage of opportunities to engage in dialogue with companies on the cutting edge and international institutions, gaining knowledge and learning about leading case studies that help improve its own initiatives in a constructive cycle.

With the awareness that cooperating with a diverse range of entities while addressing issues can have a larger impact, we proactively get involved in initiatives from the ground stage. Through information disclosures, the Company distributes information about its experiences gained through this participation in a bid to help create a sustainable society.

**Key Initiatives and Participation Dates**

1995		2005		2006	
					
World Business Council for Sustainable Development (WBCSD)	United Nations Environment Programme Finance Initiative (UNEP FI)	CDP	United Nations Global Compact (UNGC)	Principles for Responsible Investment (PRI) (a first for an insurance company in Japan)	
2011	2012	2017	2018	2019	
					
Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century)	Principles for Sustainable Insurance (PSI)	The Montréal Carbon Pledge	Climate Action 100+	TCFD Consortium	

**Reinforcing the Sustainability Promotion Structure**

The Group has created a framework for advancing a broad range of CSR initiatives through the CSR Management System, which is based on the ISO 14001 standard. Group companies draw up CSR action plans for the year and implement a PDCA cycle to ensure improvement.

In order to accelerate efforts amid increasingly intertwined and complex social issues, the Group's Council for CSR Promotion was turned into the Sustainability/CSR Committee, headed by the Group COO, in April 2020. At the same time, two new working groups were formed, called CSR Promotion and ESG / Sustainability. This put into place a structure for enhancing effectiveness, by facilitating the exchange of

opinions with stakeholders, including Group business divisions, and discussions about the finer details of insurance underwriting, loans, and investments.



## Examples of Initiatives for Priority Issues

### 1. CSO Learning Scholarship Program (2000–)

The Sompo Environment Foundation offers the CSO Learning Scholarship Program, an eight-month internship program for university undergraduate and graduate students in civil society organizations (CSOs, similar to NPOs and NGOs) that are active in the environmental field. This program aims to help participants become people who can contribute to environmental CSOs and a sustainable society, and 1,124 people have completed the program as of the end of fiscal 2019. A new internship program was launched in Jakarta, Indonesia, in February 2019, and the first class of 19 participants finished the program in October. Participants in the second program started in February 2020.



### 2. SAVE JAPAN Project (2011–)

Sompo Japan Insurance operates the SAVE JAPAN Project, an initiative to preserve biodiversity with citizen participation in nationwide events every year, in conjunction with regional environmental organizations, NPO support centers, and the Japan NPO Center. Its purpose is to provide opportunities for local residents to participate in environmental preservation activities. Activities are funded by cost savings when customers sign online agreements and online securities contracts, or when they choose recycled parts to fix automobiles that have been in an accident. As of the end of fiscal 2019, approximately 850 events have been held with more than 45,000 participants.



### 3. Revision of Group CSR Material Issues (2016–)

Sompo Holdings revised the Group CSR Material Issues in light of changes to its business portfolio and trends in international society, including the SDGs and the Paris Agreement. These revisions reflect the diverse perspectives and opinions of 16 stakeholders, including investors, consumers, government agencies, NPOs and NGOs, employees, CSR experts, and international institutions.

### 4. Diversity on the Arts Project (DOOR) (2017–)

Diversity on the Arts Project (DOOR) is a project based on the concept of “art x welfare” that Sompo Holdings launched in collaboration with Tokyo University of the Arts (TUA). A series of systematic and practical lectures on “art x welfare” were held at TUA, followed by workshops and other practical learning experiences on the front lines of welfare. The aim is to help create an inclusive society in which diverse people can live together by leveraging diverse values in art to train personnel who contribute to social inclusion.



### 5. Future Care Lab in Japan (2019–)

Sompo Holdings opened Future Care Lab in Japan as a project tasked with creating a new form of nursing care based on the coexistence of people and technology. At the same time, we opened a research center that will conduct verification tests on the latest technologies from Japan and overseas. Our intention is to redefine the roles played by people in nursing care by effectively utilizing information communications technology and digital technology through collaboration with research institutions and leading companies from around the world. We aim to achieve higher levels of satisfaction and more fulfilling daily lifestyles for people receiving nursing care, while improving the compensation and working conditions of caregivers and increasing productivity in nursing care services, by proposing new types of nursing care through the combination of people and technology.



## Climate Change Initiatives

The Group supports the Task Force on Climate-related Financial Disclosures and is involved in various initiatives to address climate change as well as highly transparent information disclosure.

### 1. Governance and Risk Management

The Group has risk management systems based on the Group Basic Policy on ERM, established by the Board of Directors. Under these systems, risks that may have significant impact on the Group are defined as “Material Risks.” The Group Chief Risk Officer exhaustively identifies and assesses Material Risks involved in the Group’s business and reports regularly on the status of those risks at meetings of the Managerial Administrative

Committee (MAC), the Board of Directors, and other bodies.

Climate change risks, such as the occurrence of greater-than-expected damage from windstorms and floods as well as reputational damage and the impact on asset prices caused by the transition to a decarbonized society, are also recognized as Material Risks, and the Group’s executives are responsible for implementing countermeasures.

### 2. Addressing Climate Change Risks and Opportunities

#### (1) Response to Risks Associated with Intensification of Natural Catastrophe

The Group’s P&C insurance business has inherent risks of being affected by the intensification of natural catastrophes resulting from climate change. For this reason, the Company is engaged in measures including analysis using climate scenarios.

We conduct stress tests for such risks as windstorms and floods. The Group quantitatively assesses the impact of the stress scenarios to verify the adequacy of capital and the effectiveness of risk mitigation measures. Further, since 2018 we have been conducting large-scale analyses of typhoons and heavy rains using weather and climate big data from the Database for Policy Decision-Making for Future Climate Change (d4PDF).<sup>\*</sup> This entails quantifying changes in the average trends of natural catastrophes as well as quantifying trends in the occurrence of extreme weather events over the medium-to-long term under climates conditions where the temperature rises by 2°C and 4°C.

<sup>\*</sup> The Database for Policy Decision-Making for Future Climate Change was developed by the Program for Risk Information on Climate Change of the Ministry of Education, Culture, Sports, Science and Technology. By utilizing a number of experimental examples (Ensemble), future changes in extreme events such as typhoons and heavy rains can be evaluated stochastically and with higher accuracy. It is also characterized by its ability to draw more reliable conclusions about the impact of natural catastrophes caused by climate change on future society.

#### (2) Responding to Risks and Opportunities Associated with the Transition toward a Decarbonized Society

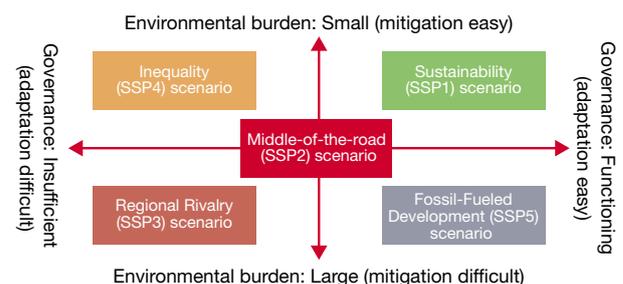
The Group’s future performance and financial position could be affected by changes in insurance needs and decline of the value of its assets under management, including stock equities, resulting from the strengthening of laws or regulations for the transition to a carbon-free society and changes in the industrial structure and local communities resulting from the development of technologies. At the same time, we believe that transformation of the industrial structure will lead to the expansion of business opportunities, such as the creation of new insurance needs and markets. Therefore, we are developing a variety of businesses in anticipation of a transition toward a decarbonized society.

To respond to the aforementioned risks and opportunities appropriately, the Group has established a system for ascertaining the situation and holding discussions at the Sustainability/CSR Committee, chaired by the Group Chief Operating Officer and comprising executives from respective Group companies, and reporting to the Managerial Administrative Committee (MAC) as necessary. The Company also continues to engage in dialogues with internal and external stakeholders as an important opportunity to grasp social and economic changes, understand expectations for the Group, and develop the Group’s business.

### 3. Measures Based on Climate Change Scenarios

The Group is undertaking various initiatives to prepare for a society with severe climate change and a low-carbon society, based on the Shared Socioeconomic Pathway (SSP) scenarios of the Intergovernmental Panel on Climate Change.

#### Shared Socioeconomic Pathway (SSP) Scenario Category



## (1) Measures Based on an Intensified Climate

### Change Scenario

In the Regional Rivalry (SSP3) scenario in which there is a reliance on conventional fossil fuels, a failure to take adequate measures against climate change, and a slowdown in economic development, climate change progresses, natural catastrophes become more severe, investment in infrastructure is insufficient, and vulnerability to natural catastrophes increases.

Based on the aforementioned scenario, the Group is working to strengthen its resilience in the medium-to-long term through assessment of the impact on the P&C insurance business using big data on weather and climate, optimizing insurance premium rates and reinsurance coverage, and taking the following steps.

- Strengthen the profitability of the domestic P&C insurance business by enhancing sales of new risk products and creating new customer services through the use of digital technology
- Expansion of business scope (diversification of revenue sources)
- Geographic diversification (overseas M&As)

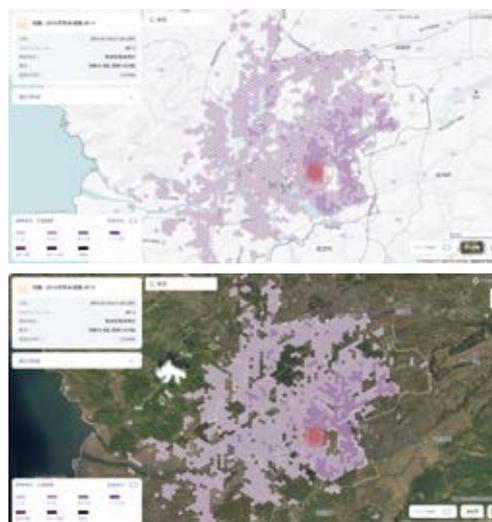
### <Main Initiatives in Japan>

Sompo Japan Insurance Inc. is working to predict natural catastrophes such as floods and earthquakes using various data related to regional disaster prevention, including data of weather and buildings as well as AI technology. For local governments, Sompo Japan aims to contribute to the safe and secure lives of residents and improve local resilience by providing Disaster Prevention / Mitigation Insurance to compensate for various expenses related to an evacuation, thereby supporting swift initial responses by local governments.

As the need for adaptation to climate change increases, opportunities for risk consulting services as well as P&C insurance are expected to expand. Since 2018, Sompo Risk Management Inc. has been participating in the Social Implementation Program on Climate Change Adaptation Technology (SI-CAT) of the Ministry of Education, Culture, Sports, Science and Technology; utilizing a database that projects the climates that would result from global warming with temperature increases of 2°C and 4°C; as well as collaborating with research institutions. Through the aforementioned initiatives, Sompo Risk Management aims to upgrade its natural catastrophe risk models, accumulate know-how on the disclosure of climate-related information, and expand businesses.

## (2) Measures Based on a Low-Carbon Scenario

In the Sustainability (SSP1) scenario, a certain level of economic development underpins the effective implementation of climate change countermeasures and the achievement of harmony between the environment and the economy. Furthermore, a recycling-based society utilizing local resources, an energy-saving society, and post-materialistic sharing services develop.



Earthquake damage prediction screenshots, map version (above) satellite version (below)

### <Main Initiatives Overseas>

In the overseas insurance business, Sompo International, our core intermediate holding company, launched *AgriSompo* as an integrated brand in the agricultural insurance field, which has long been its strength. *AgriSompo* is expanding its business to South America and Asia in addition to Europe and North America. In addition, following research and development conducted through a collaboration among Sompo Japan, Sompo Risk Management, and the Japan Bank for International Cooperation (JBIC), Weather-Indexing Insurance was launched in Southeast Asia in 2010. This product was recognized as meeting the requirement for membership of the Business Call to Action initiative in 2015. This initiative is led by the United Nations Development Programme (UNDP), with the aim of promoting the establishment of business models that combine commercial activities and sustainable development. By providing coverage for risks associated with windstorms, floods, droughts, and other natural catastrophes, Weather-Indexing Insurance and other products under the *AgriSompo* brand help reduce the business risks of farmers. We expect that demand for climate change adaptation, including demand for our products, will increase significantly centered on developing countries, which are vulnerable to climate change.



In such a scenario, solar power, wind power, and other types of renewable energy would become mainstream. At the same time, a “mobility revolution” entailing the establishment of seamless public transportation systems in local communities would reduce the numbers of cars, which would mainly affect our domestic P&C insurance business.

<Contribution to the Dissemination of Renewable Energy>

The Group believes that switching to new sources of energy will play a significant role in the transition toward a decarbonized society. Therefore, we are advancing initiatives to contribute to the dissemination of renewable energy.

■ Consulting Services for Wind Power Generation Companies

In addition to providing wind power generation companies with P&C insurance products, the Group capitalizes on expertise acquired through joint research with universities, research



Photograph provided by WIND POWER Group

institutions, and other stakeholders to offer a risk management service that comprehensively covers the value chains of wind power generation businesses. More specifically, the service encompasses all phases of wind power generation projects, from project formation and operational start-up through to subsequent removal or replacement.

<Initiatives for CASE Cars>

The further penetration of CASE\* cars will dramatically change the automobile insurance market. Aiming to build a new market in anticipation of this change, the Group is leveraging its data to pursue collaborative initiatives with companies in other industries and R&D institutions.

\* Connected, autonomous, shared & service, and electric

■ Initiatives for Autonomous Cars

Efforts to improve energy efficiency by easing traffic congestion, improving the fuel efficiency of cars, and reducing distribution costs as well as efforts to realize seamless public transportation systems are likely to gather momentum. With this in mind, the Group aims to build a platform that combines digital technology with real data\*<sup>1</sup> on driving, environmental burden, and traffic accidents acquired through its P&C insurance business to provide the accident prevention, monitoring,

and coverage needed for safe verification tests of autonomous car-related services. As part of these efforts, the Group has established the Connected Support Center as a base for research on response services for accidents and other issues involving autonomous cars. In addition, we are conducting joint research\*<sup>2</sup> on the Level IV Discovery insurtech\*<sup>3</sup> solution, which supports verification tests of autonomous car-related services. Through the low-cost provision of a highly safe platform for autonomous car verification tests, the Group aims to expedite the realization of a society with safe autonomous cars.

\*<sup>1</sup> "Real data" refers to data that is acquired from various real-life activities.

\*<sup>2</sup> Joint research based on business tie-ups with Tier IV, Inc., a developer of systems for autonomous cars, and AISAN TECHNOLOGY Co., Ltd., a company with technology for high-precision 3D maps

\*<sup>3</sup> New, technology-enabled insurance products and services



An operator at the Connected Support Center speaking with a customer remotely

■ Initiatives for Shared & Service Cars

As it develops, mobility as a service (MaaS) is expected to fill in "last mile" gaps, thereby playing a critical role in seamless local transportation systems. Mindful of this, the Group offers risk management services for MaaS verification tests and provides insurance for municipal authorities and nonprofit organizations that operate mobility support services. In addition, by establishing businesses that facilitate customer-to-customer car sharing, private car leasing, and parking space sharing, the Company is popularizing such activities. We will contribute to the mobility revolution and create new business opportunities through the expansion of businesses that take advantage of our automobile insurance data and agent-based sales network. Further, as one solution to last mile issues, electric scooters have been attracting attention. With a view to popularizing electric scooters, the Group is developing dedicated insurance and conducting risk assessments to ensure safety.

(3) Other Initiatives

<Initiatives as an Institutional Investor>

As a responsible investor, the Group promotes various initiatives. For example, through dialogue we encourage investee companies to take measures in relation to climate change.

In addition to engaging with investee companies with respect to environmental, social, and governance (ESG) considerations, Sompo Japan is working on quantitative verification of the influence on its investment portfolio of climate change and other trends.

Sompo Asset Management Co., Ltd., participates in Climate Action 100+, an initiative that coordinates the engagement activities of institutional investors. In addition, the company actively encourages investee companies to reduce greenhouse gas (GHG) emissions and prepare long-term plans. Further, in September 2017 the company became a signatory to the Montréal Carbon Pledge, which is overseen by the Principles for Responsible Investment. Accordingly, it regularly calculates and discloses the overall emissions of the Japan Value Equity Sustainable Strategy, which is focused on long-term investment, as well as the GHG emissions per 10,000 beneficial interest units of the fund.

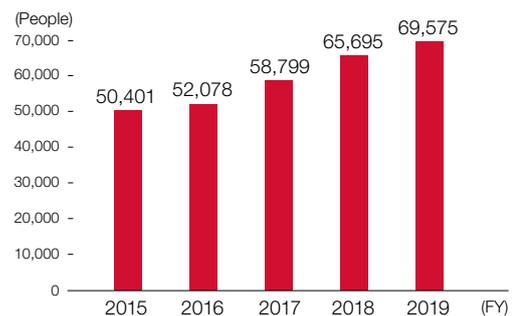


**<Initiatives for the Development of Environmental Personnel in Partnership with Civil Society>**

Since former Group company The Yasuda Fire & Marine Insurance Co., Ltd., established the Department of Global Environment in 1992, the Group has understood the importance of establishing a basis for spontaneous action by heightening each individual's awareness of and concern over climate

change and other environmental issues. For this reason, we continuously develop environmental personnel through collaboration with civil society. Further, the Group widely disseminates the results of research on environment-related issues that it conducts in cooperation with research institutions and government agencies.

**Total Cumulative Participants in Environmental Conservation Awareness Activities**



Note: Figures are the total of the number of people who participated in the SAVE JAPAN Project, which is a program for preserving rare species in Japan, and in Open Lectures on the Environment as well as of the number of people who completed the CSO Learning Scholarship Program, which provides an internship program for university and graduate program students in environmental nonprofit and nongovernmental organizations.

**4. Metrics and Targets**

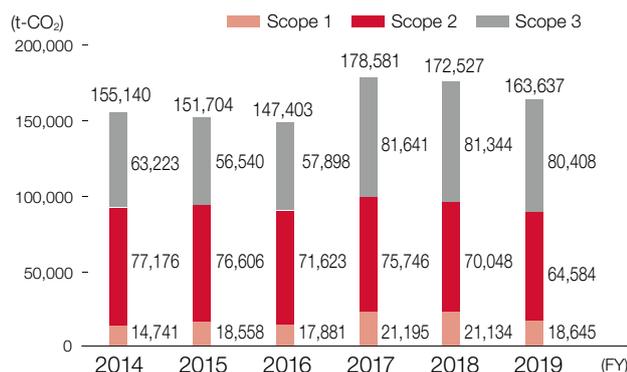
To encourage corporate social responsibility and ESG initiatives and check their effectiveness, the Group uses the following CSR key performance indicators (CSR-KPIs) to assess ongoing efforts.

- (1) Development and provision of products and services that contribute to climate change adaptation and mitigation
- (2) Number of participants in environmental conservation awareness and educational opportunities in collaboration with civil organizations
- (3) CO<sub>2</sub> emissions
- (4) Electricity consumption
- (5) Paper use

In fiscal 2018, we set reductions in GHG emissions versus fiscal 2017 levels of 21% by fiscal 2030 and 51% by fiscal 2050 as medium-to-long-term targets. To these ends, we are taking measures to mitigate climate change.

We are also implementing the aforementioned measures with a view to acquiring certification under the Science Based Targets (SBT) initiative, which promotes reductions in GHG emissions that will enable the realization of the Paris Agreement's long-term goals. Moreover, we are engaged in the creation of SBT frameworks. The Sompo Group is the only Japanese financial institution that is a member of the expert advisory group tasked with developing SBT guidelines for financial institutions.

**Greenhouse Gas (GHG) Emissions (Scope 1–3)**



Notes: 1. Figures are the total of Scope 1 (direct emissions due to use of gasoline, etc.), Scope 2 (indirect emissions from electricity and other energy sources), and Scope 3 (indirect emissions across entire value chains, including transport and business trips). The coverage of the survey is as follows.  
 Fiscal 2014: Sompo Japan Insurance Inc. and NIPPONKOA Insurance Co., Ltd., including their consolidated subsidiaries  
 Fiscal 2015: The Company's main consolidated subsidiaries and operating companies  
 Fiscal 2016–fiscal 2019: The Company and its main consolidated subsidiaries (Sompo Care Inc. included from fiscal 2017)  
 2. Since fiscal 2012, the Group has received an Assurance Statement from a third-party certification organization.  
 3. Fiscal 2017 and fiscal 2018 emissions have been recalculated using fiscal 2019 calculation methodologies.

# Digital Technologies

## ◉ The Power to Predict and Prevent Accidents, Disasters, and Illness

Insurance, by paying a benefit when unexpected events occur, such as accidents, injuries, and illness, provides security. Going forward, we believe that, through the prevention of these unexpected events and the mitigation of accidents, disasters, and illness, insurance companies can help create a world of security, health, and wellbeing that does not require insurance. Moreover, we feel that these efforts will contribute to the realization of a sustainable society. In preparation for the

environmental changes resulting from the spread of COVID-19, the Sompo Group will invest in the latest digital technologies, such as AI, big data, CX agile\* development, and design thinking; rigorously economize on the labor costs of existing businesses and increase their sophistication; and develop new digital technology businesses similar to Palantir Technologies Japan K.K. ("Palantir Japan").

\* Agile development that is focused on customer experience

## ◉ Strengths and Differentiating Features

Aiming to realize digital transformation throughout the Group, SOMPO Digital Labs have been transforming existing businesses while creating new ones since the establishment of the Digital Strategy Planning Department in April 2016. These activities encompass businesses in Japan as well as overseas Group companies and are now conducted under a trilateral structure, which comprises SOMPO Digital Labs in Tokyo, Silicon Valley, and Tel Aviv.

As part of a human resource strategy focused on achieving digital transformation of its businesses, the Group has established two chief digital officer (CDO) positions. Previously, we had one Group CDO, Koichi Narasaki. Through external recruitment, we appointed Hiroshi Omata as Group Co-CDO in April 2020. Under this new structure, we will realize thoroughgoing digital transformation of existing businesses while transitioning toward new businesses enabled by digital technologies.

As well as the domestic P&C insurance and life insurance businesses and the overseas insurance business, the Group is engaged in the nursing care & healthcare business, among

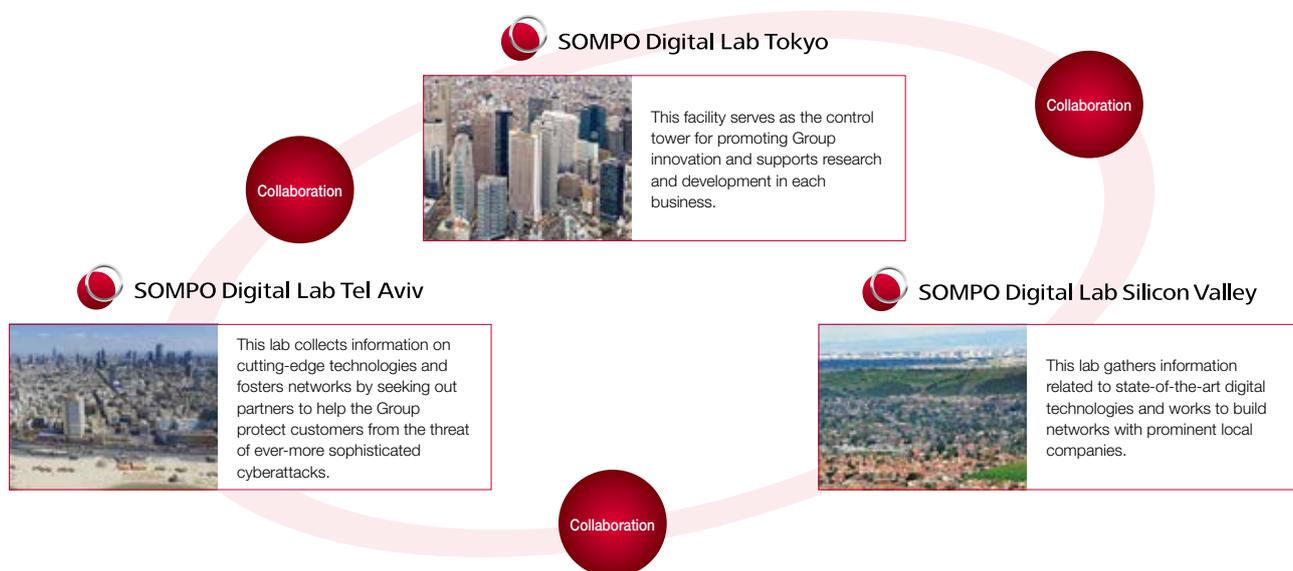
others. Through these businesses, we garner huge volumes of real data\* on accidents, disasters, and other matters.

We can use this data not only to pay benefits when accidents and illness occur but also to provide solutions that prevent accidents and illness. In this way, we aim to transform our real data into a truly valuable resource.

To this end, in November 2019 we jointly established Palantir Japan with Palantir Technologies Inc. ("Palantir"), which is headquartered in the United States and in 25 countries worldwide has businesses that offer software platforms for big data analysis.

Further, to advance the building of a general-purpose, Real Data Platform for the Group, we established the Data Management Office in the Digital Strategy Planning Department in April 2020. As well as upgrading the Group's data-related governance and data utilization, the new office will foster data-related personnel in-house.

\* "Real data" refers to data that is acquired from various real-life activities.



## Basic Policy

### 1. Increase efficiency in all business segments

Utilize AI and other new technologies to enhance the productivity and efficiency of work previously performed manually

### 2. Use digital technologies to transform customer touchpoints

Develop products and services that enhance customer experiences by using the IoT and sensors

### 3. Market to digital natives

Develop products and services for the young generation familiar with digital technologies

### 4. Evolve new business models

Build new business models based on ideas and technologies that break completely with existing business fields

The intrinsic roles and corporate value of companies are evolving as the fourth industrial revolution advances technology and changes needs among digital natives.

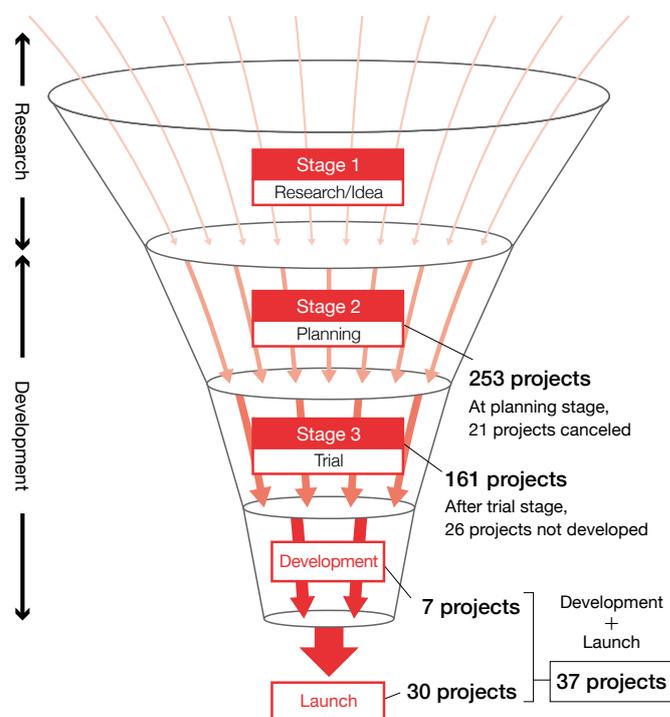
Also, the emergence of COVID-19 is driving dramatic change in society's systems, needs, and values. Around the world, remote, non-face-to-face communication is increasing and becoming entrenched. As a result, digital technologies and data utilization are very rapidly becoming an indispensable part of social infrastructure.

Reflecting a sense of crisis in relation to the possibility of our insurance business becoming unsustainable, we are building new business models that leverage digital technologies to provide security, health, and wellbeing. As part of these efforts, the Group has tasked SOMPO Digital Labs with the digitalization of existing businesses and the creation of new businesses and services. Accordingly, the labs are referring to and analyzing progressive examples from overseas as they conduct R&D on increasing work efficiency, adapting to changes in customer experiences, developing marketing approaches for digital natives (how to create points of contact with customers whom we could not reach before), and creating new business models. Specifically, we are incorporating AI into underwriting and claims services, developing IoT-enabled insurance and services, unbundling insurance functions to facilitate open innovation with partners, and using Palantir's technologies to develop co-creation businesses with other companies.

From the establishment of the Digital Strategy Planning Department in fiscal 2016 through the end of fiscal 2019, we conducted 253 proof-of-concept (PoC) tests. These PoC tests have resulted in the commercialization of 37 projects, including those slated for commercialization.

The Group will further strengthen its AI, big data, CX agile development, and design approaches; prepare and forge ahead with digital strategies; and create and advance new businesses enabled by digital technologies. As well as contributing to profits and continuing to drive the Group's digital transformation, the aforementioned measures will embed digital technologies into society, thereby helping address some of the issues that companies and society face.

### Overview of Proof of Concept (PoC)

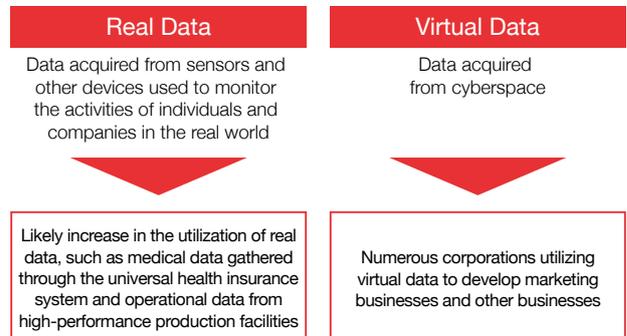


## The Acceleration of Digital Transformation



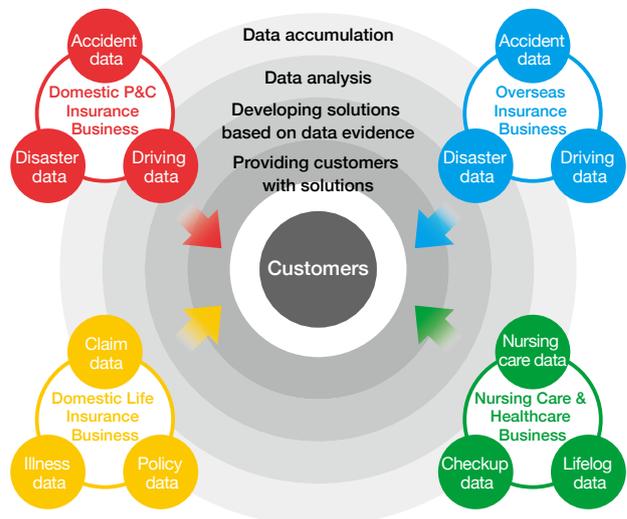
### ● The Importance of Real Data

Worldwide, numerous corporations are utilizing virtual data in the development of businesses. However, there is likely to be increased utilization of real data, and Japan is a rich source of such data. This trend promises to allow the creation of new solutions based on the results of real data analysis. Thus, the huge amounts of accident data and other real data that Sompo Holdings accumulates through its businesses are set to become a major resource in the creation of added value.



### ● Our Data Strategy

Sompo Holdings' real data is the key to realizing "A Theme Park for Security, Health & Wellbeing." We are engaged in a range of businesses, including the domestic P&C insurance, overseas insurance, and domestic life insurance businesses, as well as the nursing care & healthcare business. Consequently, the Group has accumulated a huge amount of real data on accidents, disasters, and other matters. We will build a Real Data Platform business model that utilizes these data. Through this platform, we will provide customers with high-value-added, quality services and address social issues, including the security, health, and wellbeing of customers and the aging of society.



## Launch of a Real Data Platform for Security, Health and Wellbeing in Japan

In November 2019, Sompo Holdings and Palantir jointly established Palantir Japan, a technology company that provides Japanese institutions with software platforms for big data analysis. In June 2020, the three companies agreed on the launch in Japan of the Real Data Platform for Security, Health and Wellbeing, which will further strengthen relationships among the three companies.

In Japan, there is a tremendous amount of real data, such as medical and health data associated with national health insurance system, nursing care data on the world's fastest-aging population, and operating data of facilities that produce safe, reliable, and high-quality Japanese products. However, we believe that world-class value and business models based on utilizing real data have not yet been established. The aim is to build real data platforms in Japan by combining the Sompo Group's expertise in utilizing data for the provision of better services in the insurance, nursing care, and healthcare fields with the central platform solutions that Palantir delivers to the world's leading institutions and Palantir Japan's specialized knowledge. The initial development of the platform will be focused on nursing care and healthcare in Japan.

 Palantir

Make a better world  
through software platforms

 SOMPO HOLDINGS  
A Theme Park for Security, Health & Wellbeing

Make a better world through  
services for security,  
health, and wellbeing

Supporting  
the digital  
transformation  
of Japanese  
companies

Palantir Japan's technologies will provide strong support to fundamental, data-driven transformation of operations and decision-making not only in the Sompo Group but also in a range of companies and government agencies across Japan. As a result, we will be able to support efforts aimed at responding flexibly in an era of volatility, uncertainty, complexity, and ambiguity (VUCA); realizing strong competitiveness globally; and providing greater value to society as a whole. The goal is to establish Palantir Japan as an indispensable company in the provision of platforms for data utilization and digital transformation in Japan's industrial sector.

## An Example of Real Data Utilization

Through a business tie-up with Paramount Bed Holdings Co., Ltd., the Company has begun introducing Nemuri SCAN sleep data measurement sensors to all of the approximately 18,000 bedrooms in the serviced residential complexes for senior citizens of Sompo Care Inc. This initiative is a world first.\*1

Boasting the greatest number of senior housing units in Japan,\*2 Sompo Care will collect large volumes of multifaceted real data 24 hours a day, 365 days a year. The company will use this data to analyze correlations. It will then share findings with major companies in the health and wellness field and offer solutions for the improvement of nursing care; a range of services for the early detection, prevention, and improvement of dementia; and services for the prevention of lifestyle-related ailments.

We will of course collect data in a manner that complies with respective laws and regulations. Moreover, we will encourage understanding of these activities by employing thoughtful approaches that take customers' feelings into consideration.

Using Palantir software for centralized and continuous data integration and analysis will enable the prediction of nursing care facility residents' state of health and reduce the workloads of nursing care professionals.



We have already begun a PoC test for the integration of various types of data on residents. This PoC test confirmed that timely detection of residents' state of health, or changes therein, enables nursing care professionals to respond quickly in accordance with each resident's status. Our initiative is the first of its kind anywhere in the world. Going forward, we will build a model that not only detects physical changes but also predicts an individual's state of health.

\*1 This is the world's first initiative for the introduction of sensors to all of a company's many thousands of bedrooms in serviced residential complexes for senior citizens. (As of May 2020, survey conducted by the Company)

\*2 Number of senior housing units: Approximately 25,600 (No. 1 in industry, as of May 2020, survey conducted by the Company)

"Senior housing" is a general term that encompasses nursing homes providing long-term care, serviced residential complexes for senior citizens, group homes, and other serviced residences.

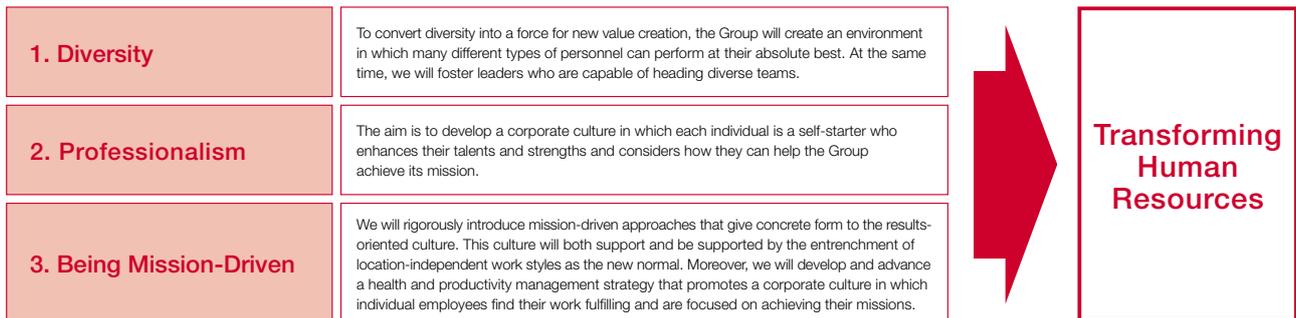
# Human Resources

## Transforming Human Resources to Realize “A Theme Park for Security, Health & Wellbeing”

Aiming to realize our Group Management Philosophy, which calls on us to “contribute to the security, health, and wellbeing of customers and society as a whole by providing insurance and related services of the highest quality possible,” we will transform our human resources. While differing in terms of nationality, gender, experience, and age, each of the Sampo Group’s employees will continue self-examination as to what they should be doing and take the initiative in transforming their behavior, in order to ensure they cater precisely to customers’ day-to-day needs and make a positive contribution to the quality of life—thereby creating “A Theme Park for Security, Health & Wellbeing.” These efforts will contribute to

the Group’s growth by transforming its corporate culture and by supporting reform of its business portfolio.

The Group will incorporate the concept of “talentism,” which values personnel and their abilities, and develop a corporate culture whereby each employee is able to take advantage of their individual attributes and talents in contributing to corporate activities. The spread of COVID-19 has overturned the premises of many different types of businesses. Viewing this crisis as a new opportunity, we will focus on the three core values of diversity, professionalism, and being mission-driven as we forge ahead with the transformation of our human resources.



## Core Value 1. Diversity

—Understanding the Importance of Diversity and Using It to Create New Value—

### 1. Enhancing Productivity by Remodeling the Sampo Group’s Work Styles

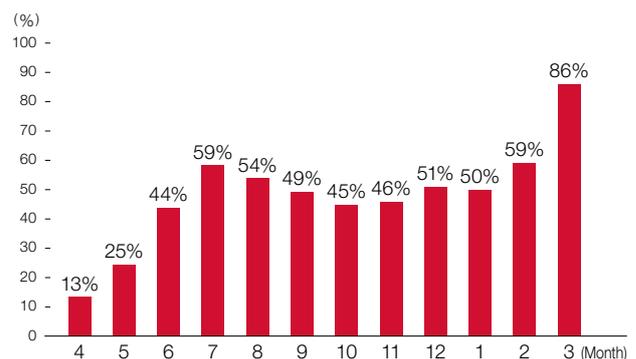
The changes brought about by the recent spread of COVID-19 have provided us with an opportunity to develop work styles that maximize productivity. Accordingly, we will redefine the target profile of each business and accelerate reforms focused on transitioning to location-independent and other new work styles. With the aim of enabling each employee to remain aware of the importance of high productivity as they work, make effective use of the time freed up, and utilize their particular talents fully, we are providing training focused on new management skill sets and revising work rules in ways conducive to the development of a results-oriented culture.

#### • Targeting More-Flexible Work Styles

We are using systems for shift work and telecommuting with our sights set on removing restrictions on time and place and increasing the flexibility of work styles. Ahead of the Tokyo

2020 Olympic and Paralympic Games, which were scheduled for the summer of 2020, we established a period in the summer of 2019 during which we encouraged all Group

**Adoption of Telecommuting Group-Wide (FY2019)**



employees to telecommute. Due to the spread of COVID-19, employees of our domestic bases have, in principle, been working from home since March 2020. Also, we are establishing various systems so that each employee can choose the work style best suited to their circumstances or to the nature



Telecommuting

of their duties. In our ongoing digital transformation of workplaces through the utilization of AI and the Internet of Things (IoT) for day-to-day duties and the introduction

of robotic process automation (RPA) to remodel work processes, we are also tailoring new work styles to reflect the specific requirements of particular frontline duties.

#### • Developing Diversity-Friendly Work Styles

As part of efforts to help employees achieve a favorable work-life balance, we are improving how leave is taken by offering employees a variety of ways of using annual leave. Employees can avail of special leave, which they can take on an hourly basis; refreshment leave, allowing the consecutive use of leave; and volunteer leave, which provides paid leave for volunteering. Through these leave-related innovations, we will encourage employees to take on new challenges, invest in their own growth, and realize advanced value creation.

## 2. Promoting Diversity and Inclusion

We view the promotion of diversity and inclusion as an essential management strategy for growth. Under the slogan “Diversity for Growth,” we are concentrating efforts on developing systems and a corporate climate that produce workplaces where employees with many different attributes can take maximum advantage of their particular strengths and work with a sense of fulfillment.

#### • Evolving into a Multinational Group

We believe that the pace of innovation can be increased by building a team whose members have a broad spectrum of backgrounds and values and by enabling them to demonstrate their various talents fully, regardless of nationality or gender. Accordingly, we have appointed a non-Japanese national with a high level of expertise to the position of director. In addition, two of the Group’s executive officers are foreign nationals: John R. Charman, CEO of the Overseas Insurance and Reinsurance Business, and Nigel Frudd, chairman of Overseas M&A. This diversity enables us to conduct discussions at meetings of the Board of Directors and Global ExCo based on global perspectives and diverse opinions. We are also actively recruiting personnel externally and assigning them to other highly specialized positions and cultivating open innovation.

#### • Empowering Our Female Employees

We aim for women to account for at least 30% of our managers by the end of 2020. To this end, we are conducting training programs designed to enhance the knowledge and skills of female employees and change their mind-sets. Group companies are also implementing their own training programs. Thanks to such programs, as of April 2020 at Sampo Japan Insurance Inc. female employees account for one director, one executive officer, and 12 general managers, while Sampo

Himawari Life Insurance Inc. has four female executive officers and one female general manager.

Also, Sampo Holdings, Inc., has been designated as a Nadeshiko Brand for the third consecutive year. The Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange grant this designation to listed companies that have outstanding records in the empowerment of women and which are, therefore, attractive to investors focused on medium-to-long-term enhancement of corporate value.



#### • Empowering Persons with Disabilities

The Sampo Group is promoting the employment of persons with disabilities with the aim of stably providing opportunities to such persons to realize their talents and gain a sense of fulfillment through work. In April 2018, we established SOMPO Challenged Inc. to promote and lead the steady employment of persons with disabilities throughout our organization and the creation of an environment where they can work with vitality.

#### • Creating an Environment That Respects Identity

To build a vibrant corporate organization, we are advancing a range of initiatives to create an environment in which everyone can work comfortably. These include establishing gender-free facilities that anyone can use and conducting training aimed at deepening understanding of LGBT individuals. In addition, we have made it possible for senior employees to continue working for as long as they can and want to do so, through the introduction of a system for rehiring employees after they reach retirement age.

### 3. Converting Personnel Diversity into a Strength

On a global basis, the Group coordinates the management of talented employees with a variety of related measures, which include putting in place succession planning for key positions, giving challenging assignments to core personnel, and conducting training for selected employees. We are building systems that effectively foster professionals in respective fields and which help personnel to plan and pursue careers leading to senior management positions.

#### • Heightening Specialization

Since fiscal 2018, we have been developing Japanese global leaders through the Sampo International Global Trainee Program. This program selects talented personnel engaged in specialized work in Japan and heightens their specialization even further by assigning them to specific positions in the highly specialized operations of an overseas subsidiary for several years. The program dispatched 13 employees in fiscal 2018 and seven in fiscal 2019 to divisions engaged in underwriting and other specialized areas. Plans call for the continuation of the program with a view to heightening employees' expertise even further.

#### • Fostering Globally Competent Leaders

To develop personnel capable of leading its global business management, the Group provides training for selected employees from three different employee levels. We cultivate the corporate leadership skills that will be needed in the future by having members of the senior management team conduct seminars and by assembling a wide range of participants from Group companies in Japan and overseas, so that they can hone their capabilities in friendly rivalry with each other.



An employee selected for training under the Global Executive Program gives a presentation on how his view of leadership has changed

## Core Value 2. Professionalism

—Thinking and Acting Proactively in Light of Expertise—

In April 2020, we introduced a job-focused personnel system to transform our human resources into a diverse team of true professionals. The goal is to encourage a transformation in our corporate culture that heightens employee engagement and inspires diverse personnel to think and act in a mission-driven, results-oriented manner beneficial to the Group. With this goal in mind, we will undertake internal and external recruitment of personnel who have expertise, actively promote them to important positions, and accelerate the transformation of our organizational and corporate culture.

#### • Encouraging Independent Career Development

The Group is helping employees take the initiative in developing their careers. In providing this support, our focus is on digitalization and globalization, which will be particularly important for the transformation of our human resources. Through a variety of programs, we are encouraging independent career development that fosters expertise. For new employees, we use e-learning to help enhance IT literacy and to conduct an in-house entrepreneur development program. Programs

available to all employees include an improvement contest based on the Test of English for International Communication (TOEIC), English conversation educational materials, introductions to language schools, and overseas training in collaboration with Group companies around the world for selected employees.

#### • Leveraging IT

We are building a new human resource system with the aims of improving operations through process standardization and integrating human resource management Group-wide. Eight overseas Group companies have been using the system since fiscal 2018. Also, we are moving forward with a project to incorporate the system into the operations of certain domestic Group companies from fiscal 2021. Thanks to the new system, information sharing and communication have increased among overseas Group companies. As part of this initiative to digitalize human resource operations, Sampo Japan is conducting proving tests for the utilization of AI for recruitment and personnel reassignment.

## Core Value 3. Being Mission-Driven

—Cultivating a Sense of Mission and Job Satisfaction—

### 1. Advancing Health and Productivity Management\*1

In realizing our Group Management Philosophy, which calls on us to “contribute to the security, health, and wellbeing of

customers and society as a whole by providing insurance and related services of the highest quality possible,” the health of

employees—who drive our corporate activities—as well as the health of employees' families is important. Also, our Group Policy for Human Rights emphasizes the need to ensure the vitality of work environments by maintaining and improving employee health. In accordance with the aforementioned philosophy and policy, the Sampo Group is implementing a varied range of measures to maintain and improve employee health Group-wide and at individual Group companies.

### (1) Initiatives for the Maintenance and Improvement of Employee Health

To maintain and improve the health of each employee, we are taking measures that reflect employees' state of health. For example, in response to the blood-sugar levels among Sampo Japan employees shown by past checkup results, the company widely disseminated information on the state of employee health through the issuance of a *Health Report* and launched a health-improvement campaign under a slogan urging employees to keep their blood sugar at healthy levels. Meanwhile, Sampo Himawari Life Insurance has been stepping up in-house antismoking measures. In April 2019, the company prohibited all employees from smoking during working hours. Further, the company made it explicit that being a nonsmoker was a prerequisite for all candidates who sought to join the company as new graduates in April 2020.

### (2) Initiatives for the Creation of Vibrant Work Environments

We believe that ensuring the vitality of work environments sustains corporate growth by helping employees stay physically and mentally healthy and by increasing productivity. Accordingly, Group companies are taking a range of measures to enable diverse work styles, including measures focused on realizing appropriate working hours, telecommuting, shift work, and increased use of annual paid leave. Sampo Japan regularly conducts surveys of employees' attitudes and uses the results to enhance job satisfaction and energize the company's organizations.

## 2. Developing Measures to Enhance Employee Engagement

The Sampo Group defines "employee engagement" as the mind-set of an employee who has aligned their personal growth with the growth of the Group and, as a consequence, has an unbidden desire to make full use of their talents in pursuit of the Group's strategies and goals. Based on the conviction that enhanced employee engagement can accelerate the transformation of its corporate culture, the Group has been conducting in-house surveys in earnest since fiscal 2017. At present, we survey 26 companies, of which nine are overseas and 17 are in Japan. In conjunction with the surveys, as part of measures aimed at enhancing employee engagement, we are conducting training focused on bringing out employees' strengths.

### (3) Initiatives for Data-Enabled Health Improvement

We are developing data-enabled health initiatives by collaborating with health insurance associations and by drawing on the data analysis expertise of Sampo Health Support Inc., which is engaged in healthcare businesses. Sampo Japan collects data on employees in relation to lifestyle, checkup results, and stress-check results and analyzes how said data correlates to working hours and presenteeism.\*<sup>2</sup> Sampo Himawari Life Insurance's efforts to evolve data-enabled health initiatives entail analyzing health data collected from wearable devices that are loaned gratis to all of the company's employees, checkup results, and medical prescription data.

In 2020, for the second consecutive year METI and the Tokyo Stock Exchange jointly selected Sampo Holdings as a "Health & Productivity Stock," a designation that recognizes companies with

outstanding health and productivity management.

At the same time, 12

Group companies were certified as "Outstanding

Enterprises Engaging in

Efforts for Health and

Productivity Management" in the large enterprise category of a

system jointly conducted by METI and Nippon Kenko Kaigi.

Moreover, eight of these Group companies were also certified as "Outstanding Enterprises Engaging in Efforts for Health and

Productivity Management" in the large enterprise category (White 500). In partnership with health insurance associations,

the Group will popularize health and productivity management among Group and client companies by distributing information

internally and externally on the ongoing benefits of its initiatives

while verifying and revising them.

\*1 Registered trademark of the incorporated nonprofit organization Workshop for the Management of Health on Company and Employee

\*2 Working despite mental or physical health issues, which can result in losses due to lower productivity



Examination of measures to enhance employee engagement, including those that involved members of the senior management team, together with analysis of results have brought to light successful examples that have not only enhanced engagement but also improved business performance. Employee engagement is likely to become more important than ever, particularly in the context of our efforts to use the changes resulting from the spread of COVID-19 as an opportunity to establish location-independent work styles as the new normal. Measures such as those for the enhancement of employee engagement will play a central role in establishing new work styles and creating a corporate culture in which each employee can gain a sense of satisfaction from accomplishing their missions.

# Financial Strategy

## Basic Capital Policy

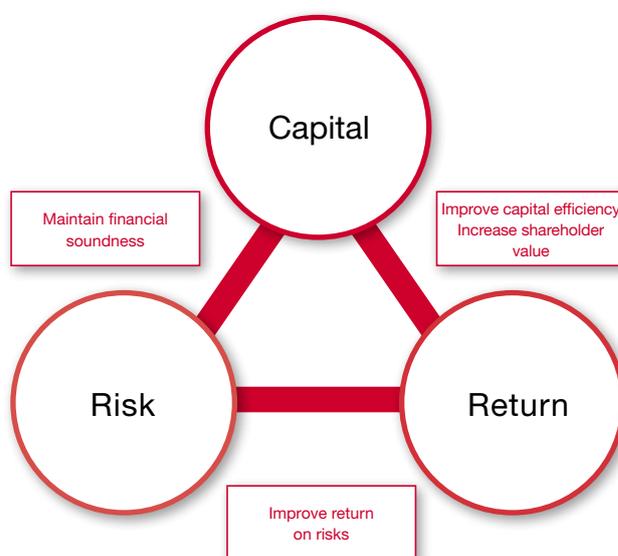
The basic capital policy of the Sompo Group entails appropriately controlling the balance between profits, capital, and risk and maintaining adequate financial soundness based on the Enterprise Risk Management (ERM) framework. Our basic policy for shareholder returns (shareholder dividends and share buybacks) is to provide attractive returns commensurate with profit and capital levels, based on our targets for growth in adjusted consolidated profit to ¥300.0 billion, steady improvement in capital efficiency to an adjusted consolidated ROE of 10.0% or more, and expansion driven by investments in growth businesses.

Uncertainty is growing over the near-term global economic outlook due to the hiatus in economic activities that has resulted from the spread of COVID-19. Even in such an environment, however, the Group still has robust financial foundations and its basic capital policy remains unchanged.

In accordance with our basic capital policy, we apply management procedures for financial soundness based on international capital regulations. Moreover, we utilize adjusted consolidated ROE and return on risk (ROR) as criteria for making management decisions in a wide range of fields, including investments and performance evaluation. We also

strive to enhance capital quality on a continuous basis and to promote a capital policy that facilitates the acquisition of returns in order to maximize corporate value.

### Capital Policy Based on the ERM Framework



## Improvement of Capital Efficiency

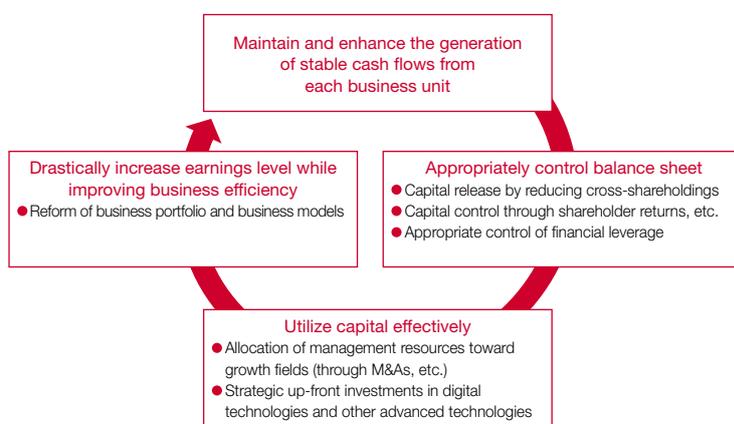
The Sompo Group has an operating cycle for improving capital efficiency (ROE) sustainably that was established on the basis of its ERM framework. The Group appropriately controls its balance sheet through such measures as continuing to reduce its cross-shareholdings, increasing shareholder returns, and managing financial leverage while maintaining and enhancing the generation of stable cash flows in each of its businesses. On this basis, we will allocate management resources toward growth fields (through M&As, for example) and conduct forward-looking strategic investments in various fields with the potential to bring about new businesses and to revolutionize industry structures, such as digital technologies and advanced sciences and technologies. In addition, we will work to achieve drastic improvements in business efficiency and profit levels by transforming our business portfolio and business models. As a result, we intend to achieve sustainable growth in adjusted consolidated profit and adjusted consolidated ROE and reach our medium-to-long-term targets.

In fiscal 2019, adjusted consolidated profit was ¥150.8 billion and adjusted consolidated ROE was 6.4%. This performance mainly reflected a year-on-year decrease in natural catastrophes in Japan and a favorable performance by the overseas insurance business. In fiscal 2020, while we have, to a certain degree, accounted for the ascertainable effects of the spread of COVID-19 at this juncture, we anticipate a normal level of damage from natural catastrophes. With this in mind, we expect profit levels and ROE to improve in fiscal 2020. (Further, at a point in time when detailed analysis of the effects of the spread of COVID-19 becomes possible, we plan to reflect this analysis in the premise of our performance forecast and make another announcement accordingly.) We are working diligently to steadily improve capital efficiency in order to quickly achieve our targets.

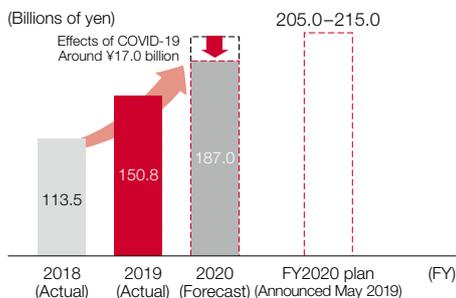
### ROE Improvement Cycle

$$\text{Adjusted Consolidated ROE} = \frac{\text{Adjusted consolidated profit}}{\text{Adjusted consolidated net assets}}$$

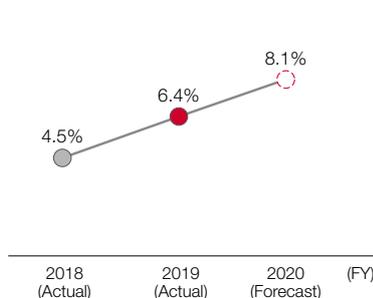
#### Cycle for Raising Adjusted Consolidated ROE to 10.0% or More



#### Adjusted Consolidated Profit



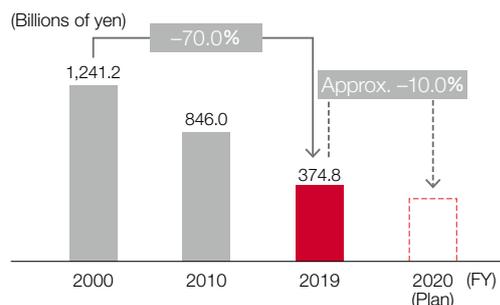
#### Adjusted Consolidated ROE



## Policy on Cross-Shareholdings and Their Reduction

The Company's subsidiary Sampo Japan Insurance Inc. engages in cross-shareholdings for the purposes of receiving investment returns in the form of dividend income and share price appreciation, enhancing relations with insurance sales channels and business partners, and maintaining and strengthening insurance transactions with corporate clients. The Board of Directors annually examines the economic rationale for continuing to maintain cross-shareholding accounts. These examinations consider the future use of the shares based on the cross-shareholding objectives, such as supporting insurance transactions and strengthening alliances, review the long-term outlooks for unrealized gains from value appreciation and the

#### Balance of Cross-Shareholdings Based on Book Value



share value, and set quantitative risk-and-return assessment benchmarks for the associated insurance transactions and share values.

As part of the Group's capital policy, the Company implements a management policy of allocating a portion of the capital gains generated from the continuous selling of cross-shareholdings to investments in growth businesses, such as M&A activities, with the aim of ensuring financial soundness and improving capital efficiency. These activities are conducted in accordance with the medium-term and annual retention and

disposal plans for cross-shareholdings.

Under the current Mid-Term Management Plan, we plan to reduce cross-shareholdings by around ¥100.0 billion per year. In fiscal 2019, we reduced them by ¥100.4 billion. In the four years through fiscal 2019, we have reduced cross-shareholdings by ¥472.4 billion. We will continue to reduce the overall balance of cross-shareholdings going forward based on quantitative evaluations and extensive discussions with counterparties.

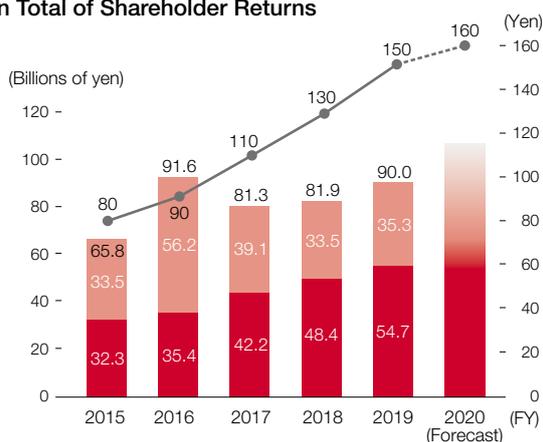
## Shareholder Returns

The Sampo Group's basic policy on shareholder returns is to steadily increase dividends during the latter half of the Mid-Term Management Plan (fiscal 2019 and fiscal 2020) based on evaluations of the Company's financial position and the outlook for the operating environment. We seek to provide attractive shareholder returns with a flexible approach to share buybacks as an option that depends on the Company's stock price and capital condition.

Based on growth in adjusted consolidated profit, we plan to proactively increase total shareholder returns (total dividend payments + total share buybacks). In the latter half of the Mid-Term Management Plan, as a target for shareholder returns, we aim to attain a total payout ratio\*1 of between 50% and 100% of adjusted consolidated profit.

As shareholder returns based on our performance in fiscal 2019, we paid an annual dividend of ¥150 per share, comprising an interim dividend of ¥75 and a year-end dividend of ¥75. This was a year-on-year increase of ¥20 per share in the annual dividend. In addition, we have announced a share buyback program for up to ¥35.3 billion for the purpose of enhancing shareholder returns. Following extensive discussions in light of such factors as the spread of COVID-19, which were held at Global Executive Committee (Global ExCo) meetings and other venues, the senior management team decided at a meeting of the Board of Directors to execute share buybacks in accordance with the current shareholder return policy. In fiscal 2019, the Company's total payout ratio was 60% of adjusted consolidated profit.

### Trend in Total of Shareholder Returns

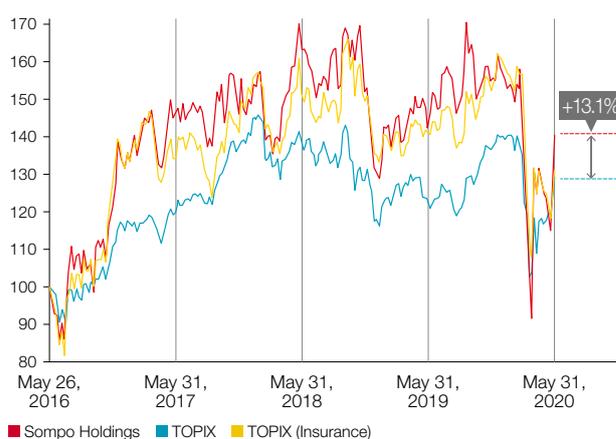


Adjusted consolidated profit (Billions of yen)	132.0	183.2	162.7	113.5	150.8	187.0
Total payout ratio	50%	50%	50%	72%	60%	—
(Reference) Share price, end of fiscal year (Yen)	3,188	4,079	4,282	4,098	3,343	—

■ Dividends (left scale) ■ Total share buybacks (for shareholder returns) (left scale)  
● Annual dividends per share (right scale)

Note: Adjusted profit of the domestic life insurance business was excluded under the previous Mid-Term Management Plan (which ended in fiscal 2015).

### Trend in Total Shareholder Returns (May 26, 2016 to May 31, 2020)



Note: Indexed to 100 from May 26, 2016, the date the Mid-Term Management Plan was announced.

As for fiscal 2020, although the spread of COVID-19 will affect our performance, at this juncture we expect higher profit levels. Therefore, we intend to raise dividend payments for the seventh consecutive year. Specifically, we plan to increase the annual dividend by ¥10 per share compared with that of fiscal 2019. This will give an annual dividend of ¥160 per share, comprising an interim dividend of ¥80 and a year-end dividend of ¥80.

Going forward, we will continue to use internal reserves and capital gains generated from sales of cross-shareholdings to conduct promising growth investments in pursuit of rapid

business growth. By allocating the additional profits generated through such growth to the enhancement of shareholder returns, we will maximize shareholder value. The Company's total shareholder returns\*2 have comfortably exceeded performance on the TOPIX since the Company announced its Mid-Term Management Plan, underscoring the steady increase in shareholder value.

\*1 The total payout ratio is an indicator of the weight of shareholder returns on the profit of each period and is calculated using the following formula.

Total payout ratio = (total dividend payments + total share buybacks (for shareholder returns) / adjusted consolidated profit

Note: Please see page 47 for the method of calculating adjusted consolidated profit.

\*2 Total shareholder returns is the ratio of return after the reinvestment of dividends.

## ○ Maintenance of Financial Soundness

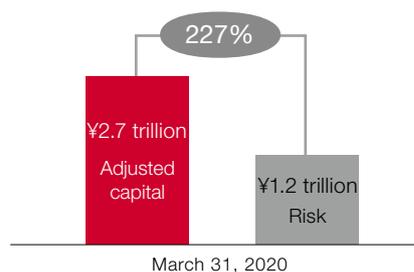
To maintain financial soundness, we manage capital based on the economic solvency ratio (ESR), determined by comparing economic value based on capital and risk. Capital management is carried out by establishing a target capital level (ESR: 180% to 250%) and a risk tolerance level as indicators of the amount of capital necessary for advancing Group strategies. When calculating ESR, we employ capital management methods based on international capital regulations in order to increase global comparability, taking into account recent regulatory trends and the disclosure status of insurance companies in Japan and overseas. Financial soundness is maintained and managed in this manner. With an ESR of 227% as of March 31, 2020, the level is within our target capital range, indicating that we are maintaining adequate financial soundness.

### ESR (Economic Solvency Ratio)

#### Target Capital Level of around 180% to 250%

180%: Level leading to stable financial soundness based on results of stress tests

250%: Level set based on capital efficiency



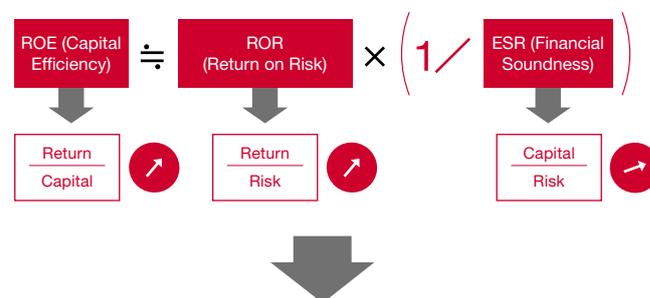
## ○ Improvement of Return on Risk

We use the return on risk indicator of ROR for making various management decisions in order to operate our businesses in a manner that ensures returns match or exceed the level of risks. By improving capital efficiency and maintaining financial soundness through improvements in various performance metrics, we seek to sustainably enhance corporate value.

When formulating business plans, the Group confirms the validity of plans in terms of outlooks for the Group's overall capital efficiency, financial soundness, and earnings stability as well as quantitative analyses of risks and returns of each business unit and line of business.

Not just limited to these areas, ROR functions as a yardstick for management in a wide range of individual policies. This indicator is utilized when selecting stocks as part of reducing cross-shareholdings; formulating reinsurance strategies with respect to the risk of natural catastrophes, which have been increasing in frequency recently; making investment decisions regarding M&A activities; setting insurance product underwriting strategies and premiums; and evaluating officer and employee performance.

### Utilization of ROR (Breakdown of ROE)



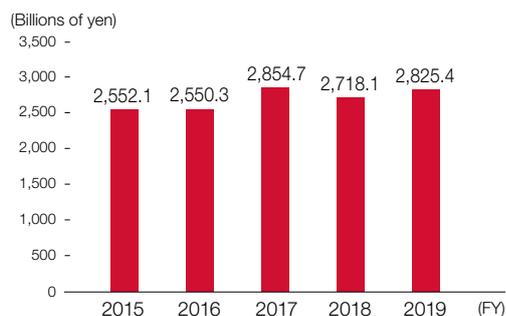
ROE can be broken down into ROR and the inverse of ESR. This fact illustrates that maintaining financial soundness while improving ROR will result in increased capital efficiency.

# Financial and ESG Highlights

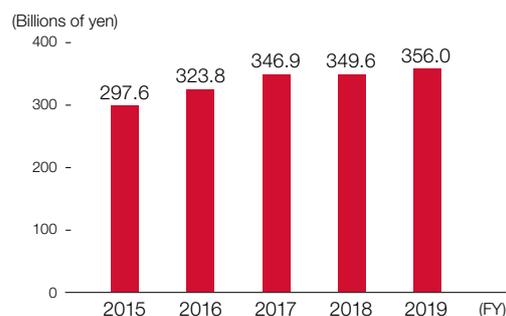
## Financial Highlights

### Rise in Premiums Written

#### Net Premiums Written (P&C Insurance)



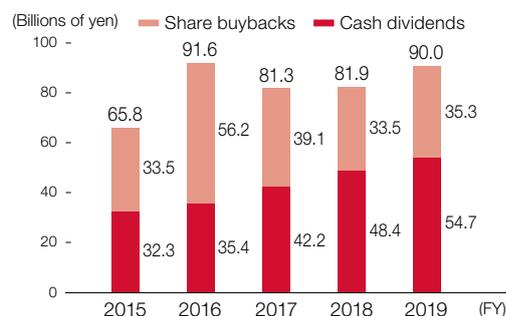
#### Life Insurance Premiums



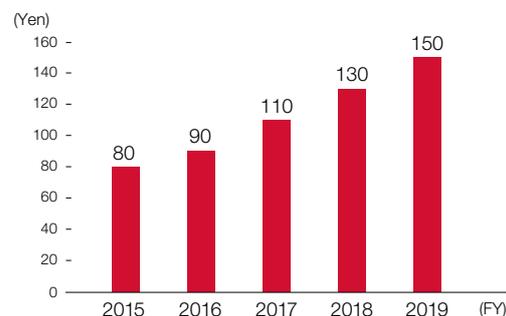
In fiscal 2019, the main increases in net premiums written were attributable to fire insurance and automobile insurance in the domestic P&C insurance business and to Sompo International in the overseas insurance business. Life insurance premiums written were steady thanks to an increase in business in force.

### Plan to Increase Dividends for the Seventh Consecutive Year

#### Shareholder Returns



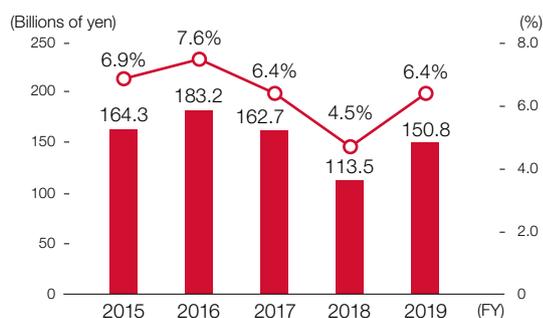
#### Dividends per Share



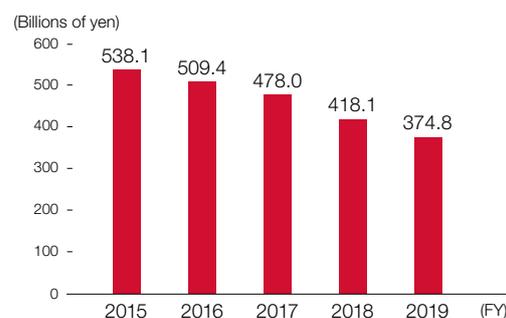
With the aim of realizing even more attractive shareholder returns, in fiscal 2019 we changed the target range for the total payout ratio to 50%–100%. In fiscal 2020, we expect to increase dividends for the seventh consecutive year. Going forward, our basic policy is to continue raising dividends.

### Upward Medium-to-Long-Term Trend in Capital Efficiency, Steady Reduction in Strategic Holding Stocks

#### Adjusted Consolidated Profit / Adjusted Consolidated ROE



#### Balance of Strategic Holding Stocks\*1



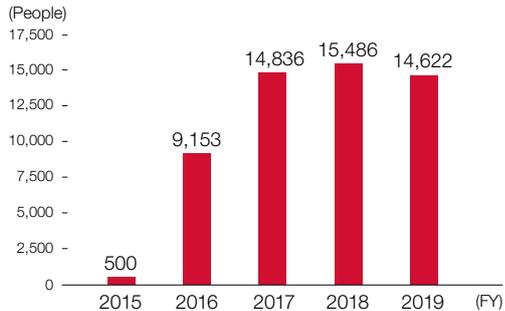
As in fiscal 2018, domestic natural catastrophes impacted performance in fiscal 2019. However, adjusted consolidated profit remains on pace to increase steadily once the impact from natural catastrophes returns to a normal level. Further, we are continuing to reduce strategic holding stocks and enhance capital efficiency.

\*1 Balance of the book value of listed shares owned by Sompo Japan Insurance Inc. (non-consolidated) Note: For the definition of adjusted profit, please see page 47.

## ESG Highlights

### Promotion of Disaster Preparedness Educational Activities

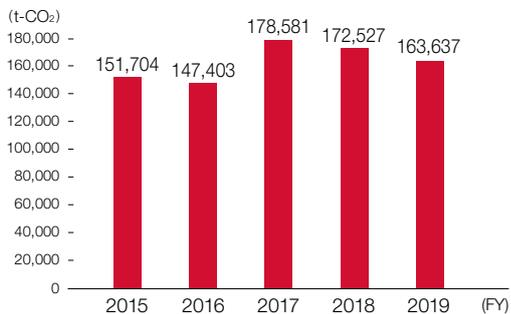
#### Participants in Disaster Preparedness Activities Conducted in Collaboration with NPOs and NGOs



Through the promotion of disaster preparedness educational activities, we will heighten the awareness of the general public, encourage correct understanding of disasters, and contribute to safety and peace of mind in daily life.

### Reduction of Environmental Burden throughout Our Value Chain

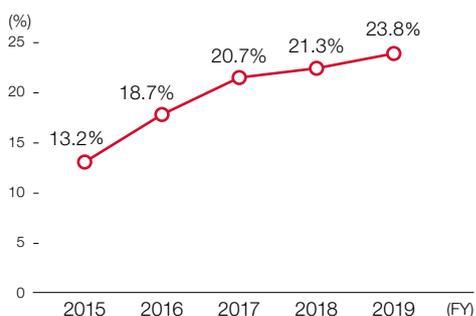
#### Greenhouse Gas Emissions (Scope 1-3)



Aiming to achieve reductions in greenhouse gas emissions versus fiscal 2017 levels of 21% by fiscal 2030 and 51% by fiscal 2050, we are reducing environmental burden throughout our value chain.

### Advancement of Diversity and Inclusion

#### Ratio of Female Employees in Managerial Positions\*2

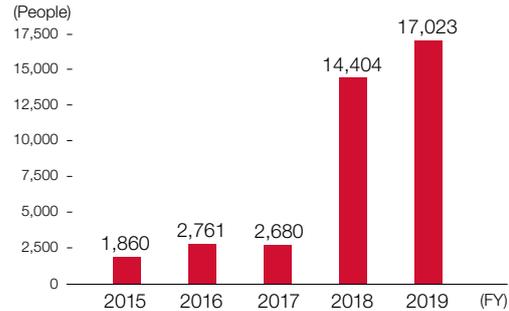


We view diversity as a management strategy that is indispensable for growth. Accordingly, we are taking measures to empower female employees and enable a variety of other personnel to realize their particular talents so that we are able to continue growing as a corporate group.

\*2 Figures are as of the end of December of respective fiscal years for overseas consolidated subsidiaries and as of April 1 of the subsequent fiscal years for domestic operating companies.

### Training of Support Personnel for Individuals with Dementia

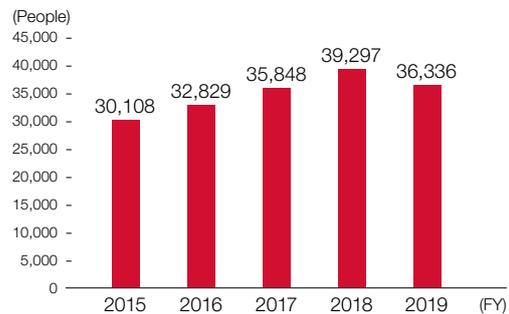
#### Participants in Health and Welfare Education Programs



Our aim is to foster personnel who have a good understanding of dementia and can provide proper support to those with the condition.

### Proactive Employee Participation in Social Contribution Activities

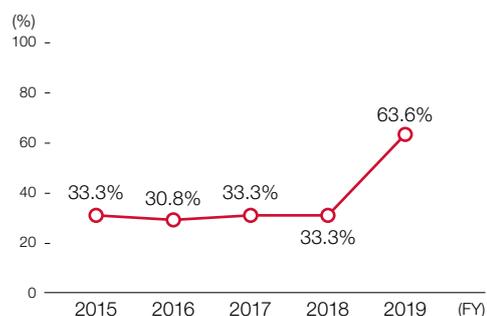
#### Employees Participating in Social Contribution Activities



A volunteer organization created by executives and employees, Sompō Chikyu Club, leads a variety of volunteer activities around Japan.

### Governance Structure Centered on Outside Directors

#### Ratio of Outside Directors



Outside directors form a majority on the Company's Board of Directors. Moreover, the Company has built a system that facilitates constant improvement in the transparency and fairness of corporate governance.

Note: As of July 2020, the ratio of outside directors was 75%. (Please see "Composition of the Board of Directors" on page 76.)

## Consolidated Financial and ESG Indicators for Sompo Holdings

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	
<b>Key Figures</b>								
Ordinary Income	2,621,689	2,790,555	2,843,226	3,008,339	3,282,343	3,256,186	3,419,530	
Net Premiums Written (P&C Insurance)	1,933,283	1,973,777	2,062,606	2,268,967	2,508,031	2,552,193	2,550,336	
Life Insurance Premiums	238,178	250,193	264,732	277,230	277,208	297,696	323,860	
Ordinary Profit	(6,437)	(51,815)	104,783	112,391	208,309	216,853	241,713	
Net Income Attributable to Shareholders of the Parent	(12,918)	(92,262)	43,618	44,169	54,276	159,581	166,402	
Comprehensive Income	(143,120)	(48,098)	319,047	149,965	469,485	(116,689)	226,949	
<b>Per Share Information</b> (Yen, U.S. dollars)								
Net Income	(31.11)	(222.30)	105.10	106.98	132.85	394.21	419.15	
Dividends	80.0	80.0	60.0	60.0	70.0	80.0	90.0	
(Of which, Interim)	—	—	—	30.0	30.0	40.0	40.0	
Diluted Net Income	—	—	104.87	106.77	132.61	393.66	418.71	
<b>Financial Condition</b>								
Total Net Assets	1,079,446	1,000,577	1,283,488	1,390,153	1,829,852	1,652,839	1,868,940	
Total Assets	8,981,974	8,893,378	9,178,198	9,499,799	10,253,431	10,186,746	11,931,135	
Equity Ratio (%)	12.0	11.2	13.9	14.5	17.8	16.1	15.1	
Consolidated Solvency Margin Ratio (%)	—	549.8	688.3	783.1	803.4	851.4	748.9	
<b>Stock Information</b> (Shares)								
Number of Shares Outstanding (Excluding Treasury Stock)	415,106,429	414,825,205	414,726,157	411,284,208	408,037,848	404,162,514	393,398,576	
<b>Adjusted Financial Indicators</b>								
Adjusted Consolidated Profit (Billions of yen)	80.7	1.2	111.6	101.5	138.3	164.3	183.2	
Adjusted Consolidated ROE (%)	4.2	0.1	5.4	4.3	5.2	6.9	7.6	
<b>ESG indicators</b>								
Participants in Disaster Preparedness Activities Conducted in Collaboration with NPOs and NGOs (People)	—	—	—	—	—	500	9,153	
Participants in Health and Welfare Education Programs (People)	—	—	102	80	189	1,860	2,761	
Greenhouse Gas Emissions (Scope 1–3) (t-CO <sub>2</sub> )* <sup>1</sup>	—	—	138,039	139,736	155,140	151,704	147,403	
Employees Participating in Social Contribution Activities* <sup>2</sup>	—	30,785	26,017	22,412	31,623	30,108	32,829	
Ratio of Female Employees in Managerial Positions* <sup>3</sup> (%)	4.0	5.3	5.0	5.2	11.0	13.2	18.7	
Ratio of Outside Directors (%)	—	50.0	50.0	25.0	33.3	33.3	30.8	

Notes: 1. Sompo Holdings carried out a reverse split of stocks to combine common stocks at a ratio of four shares to one share on October 1, 2011. Net income per share, dividends per share, and number of shares outstanding (excluding treasury stock) are calculated based on the assumption that the reverse split of stocks was executed at the beginning of fiscal 2010.

2. Reflecting amendments to the "Accounting Standard for Business Combinations," etc., since fiscal 2015 the presentation of "net income" has been amended to "net income attributable to shareholders of the parent."

3. From the end of fiscal 2011, the consolidated solvency margin ratio as the standard of consolidated financial soundness has been calculated in accordance with the related laws and regulations, including the Ordinance for Enforcement of the Insurance Business Act, revised on March 31, 2011. Above, the figures for fiscal 2012 and before and the figures for fiscal 2013 and after are calculated on a different basis, reflecting the law revision concerning the standards for the calculation of the solvency margin ratio that was enforced at the end of fiscal 2013. Figures are not presented for fiscal 2010.

4. Diluted net income per share for fiscal 2010 and fiscal 2011 is not shown due to the recording of net loss per share.

5. Since fiscal 2016, the definition of adjusted consolidated profit has been changed. (Fiscal 2015 figures have been recalculated and presented based on new standards.)

6. U.S. dollar amounts are translated from yen at the rate of ¥108.83 = U.S.\$1.00, the approximate rate prevailing at March 31, 2020.

\*1 Figures are the total of Scope 1 (direct emissions due to use of gasoline, etc.), Scope 2 (indirect emissions from electricity and other energy sources), and Scope 3 (indirect emissions across entire value chains, including transport and business trips). The coverage of the survey is as follows.

Fiscal 2012: The Company's 27 consolidated subsidiaries

Fiscal 2013: Sompo Japan Insurance Inc., including consolidated subsidiaries, and NIPPONKOA Insurance Co., Ltd., including consolidated subsidiaries

Fiscal 2014: Sompo Japan Insurance Inc., including consolidated subsidiaries, NIPPONKOA Insurance Co., Ltd., including consolidated subsidiaries

Fiscal 2015: The Company's main consolidated subsidiaries and operating companies

Fiscal 2016-fiscal 2019: The Company and its main consolidated subsidiaries (Sompo Care Inc. subject to calculation from fiscal 2017)

Emissions in fiscal 2017 and fiscal 2018 were recalculated based on fiscal 2019 standards.

\*2 Figures prior to fiscal 2013 shown for Sompo Japan Insurance Inc. and its Group companies.

\*3 Data for overseas consolidated subsidiaries as of December 31 in each fiscal year. Data for domestic operating companies as of April 1 in next fiscal year; record dates differ before fiscal 2013.

### Adjusted Financial Indicators

Adjusted consolidated profit is a profit indicator that is meant to more accurately reflect business results and is calculated by adjusting consolidated net income based on JGAAP for catastrophic loss reserve and other items. This indicator is used to determine shareholder returns.

	Millions of yen			Millions of U.S. dollars
	FY2017	FY2018	FY2019	FY2019
	3,770,052	3,643,040	3,760,366	34,552
	2,854,755	2,718,155	2,825,482	25,962
	346,998	349,606	356,064	3,271
	141,890	198,959	192,451	1,768
	139,817	146,626	122,515	1,125
	177,754	(54,460)	(77,806)	(714)
	361.39	392.26	334.12	3.07
	110.0	130.0	150.0	1.37
	55.0	65.0	75.0	0.68
	361.09	391.96	333.89	3.06
	1,916,210	1,779,911	1,612,584	14,817
	11,948,323	12,018,254	11,977,836	110,060
	15.8	14.6	13.3	—
	862.5	859.8	856.1	—
	380,579,944	372,426,159	364,125,082	—
	162.7	113.5	150.8	1,385
	6.4	4.5	6.4	—
	14,836	15,486	14,622	
	2,680	14,404	17,023	
	178,581	172,527	163,637	
	35,848	39,297	36,336	
	20.7	21.3	23.8	
	33.3	33.3	63.6	

### Definition of Adjusted Consolidated Profit, Adjusted Consolidated ROE, etc. (Fiscal 2016–Fiscal 2019)

		Calculation method
Adjusted profit for each business <sup>*5</sup>	Domestic P&C insurance <sup>*1</sup>	Net income + Provisions for catastrophic loss reserve, etc. (after tax) + Provisions for reserve for price fluctuation (after tax) – Gains/losses on sales of securities and impairment losses on securities (after tax) – Special factors (e.g., dividend from subsidiaries)
	Overseas insurance	Net income (including major non-consolidated subsidiaries) Operating income is used for Sampo International Holdings. <sup>*2</sup>
	Domestic life insurance	Net income + Provision of contingency reserve (after tax) + Provision of reserve for price fluctuation (after tax) + Adjustment of underwriting reserve (after tax) + Deferral of acquisition cost (after tax) – Depreciation of acquisition cost (after tax)
	Nursing care & healthcare, etc. <sup>*3</sup>	Net income
Adjusted consolidated profit		Total of above adjusted profits
Adjusted consolidated net assets		Consolidated net assets (excluding life insurance subsidiary's net assets) + Catastrophic loss reserve in domestic P&C insurance, etc. (after tax) + Reserve for price fluctuation in domestic P&C insurance (after tax) + Domestic life insurance adjusted net assets <sup>*4</sup>
Adjusted consolidated ROE		Adjusted consolidated profit/Adjusted consolidated net assets Note: The denominator is the average balance at the end/start of each fiscal year.

<sup>\*1</sup> The total of Sampo Japan Insurance Inc.; SAISON AUTOMOBILE AND FIRE INSURANCE COMPANY, LIMITED (including former Sampo 24 Insurance Company Limited); Sampo Japan Partners Inc.; Sampo Japan DC Securities Inc.; Sampo Risk Management Inc. (for fiscal 2017 and after); Mysurance Inc.; DeNA SOMPO Mobility Co., Ltd.; akippa Inc.; and DeNA SOMPO Carife Co., Ltd.

<sup>\*2</sup> The adjusted profit of Sampo International Holdings is defined as operating income net of fluctuating, one-time factors (Operating income = Net income – Net foreign exchange gains/losses – Net realized and unrealized gains/losses on sales of securities as well as impairment losses/valuation gains on securities – Net impairment losses recognized in earnings, etc.).

<sup>\*3</sup> The total of Sampo Care Inc. (the former Sampo Care Message Inc. and Sampo Care Next Inc.); Cedar Co., Ltd. (until fiscal 2018); Sampo Health Support Inc.; Sampo Asset Management Co., Ltd.; Prime Assistance Inc.; Sampo Warranty Inc.; Palantir Technologies Japan K.K.; FRESHHOUSE CO., LTD.; and Wellness Communications Corporation.

<sup>\*4</sup> Domestic life insurance adjusted net assets = Net assets (JGAAP) + Contingency reserve (after tax) + Reserve for price fluctuation (after tax) + Adjustment of underwriting reserve (after tax) + Non-depreciated acquisition cost (after tax)

<sup>\*5</sup> Adjusted profit for each business from fiscal 2018 excludes one-time profits/losses and special factors, such as dividends received from subsidiaries.

### External Recognition of ESG Initiatives

We have been actively involved in ESG initiatives from an early stage, and our initiatives have been recognized by various institutions globally, as demonstrated by our inclusion in socially responsible investment (SRI) indices. (As of July 1, 2020)



**Third-Party Verification** To ensure the reliability of reported figures, Sampo Holdings has received a third-party verification from Lloyd's Register Quality Assurance Limited (LRQA) for its calculation of greenhouse gas emissions (Scope 1–3) in fiscal 2019.

**Disclosure of Major ESG Data** Information about other major ESG data is available on the Company's CSR website.  
<https://www.sampo-hd.com/en/csr/esg/data/>

# Enterprise Risk Management (ERM)

ERM is the “compass of management.” By enabling appropriate management of increasingly diverse and complex risks, ERM is underpinning our transformation into “A Theme Park for Security, Health & Wellbeing.” Furthermore, it is helping us increase corporate value and benefit society.

## ERM Supporting the Realization of “A Theme Park for Security, Health & Wellbeing”

Emerging trends including the increased frequency of large-scale natural catastrophes, the prolongation of a low interest rate environment, and the spread of COVID-19 indicate the volatility, uncertainty, complexity, and ambiguity (VUCA) of the current era. In such an era, risk management’s role no longer simply entails taking measures to avoid loss. Increasingly, risk management is expected to “navigate” an optimal course for the Group by reducing the opportunity loss that it could incur as a result of mistimed investments or other miscalculations.

The roles of ERM can be likened to the three functions of a sophisticated compass in a voyage across rough, unpredictable seas. That is to say, ERM enables correct understanding of the Group’s current position, sensitive detection of potential risks, and clear indication of the route the Group should take. Given the volatility of the current environment, these capabilities are more important than ever.

For ERM to function accurately as the “compass of management,” dramatic changes in conditions inside and outside the Group must be appropriately understood. Moreover, all Group employees must understand and implement ERM correctly. Therefore, it is important to develop a deeply rooted risk management culture throughout our organization so that every employee can make decisions based on common criteria.

To ensure that all Group officers and employees understand ERM and move in the same direction, we have formulated the ERM Vision, which explains the basic philosophy and aims of ERM. Based on the vision, we are taking steps to develop a risk management culture throughout our organization. The goal is to realize world-class ERM by enabling the senior management team and all other employees to take concrete actions and decisions that enhance return on risk (ROR) and maintain stable financial soundness (the economic solvency ratio (ESR)).

We are advancing Group-wide transformation with a view to the realization of “A Theme Park for Security, Health &

Wellbeing.” This initiative includes the development of ERM optimally suited to the Group’s business model. To this end, we are building a framework for risk-taking that heightens capital efficiency and developing an ERM framework for the retail platform of the overseas insurance business.

### ERM as the “Compass of Management”

#### ERM Vision

- The Sampo Group’s ERM aims to support both the enhancement of corporate value and contributions to society through appropriate risk management, achieving a mutually beneficial relationship with all stakeholders.
- To this end, we:
  - (1) identify and control changing and diversifying risks appropriately to maintain the Group’s financial soundness;
  - (2) provide services of the highest quality possible to our customers at fair and proper prices, and underwrite risks at appropriate premiums; and
  - (3) strive to construct an optimal business portfolio to realize “A Theme Park for Security, Health & Wellbeing.”
- Every employee and officer within the Group seeks to practice ERM up to the point that Sampo’s ERM becomes evaluated as No.1 in the world.

## ERM Implementation

The Group is embedding tangible, practical ERM measures at all levels of its organization, from the pricing of insurance products in frontline operations through to important management decisions that affect the strategies of businesses.

Further, the Group has developed a robust risk control system that incorporates both qualitative and quantitative elements to minimize unforeseen losses in its operations.

### 1. Management Use of ERM

#### (1) Insurance Product Development and Management

While taking into account the characteristics of each insurance business, we verify ROR when setting insurance premiums in product development and when managing the profitability of products after launch. We use ROR not only in assessing and managing the profits of each product but also in establishing sales strategies and marketing budgets.

#### (2) Evaluation of Risks in M&A Deals

We decide on M&A deals and other new business investments after measuring investment effects and performing thoroughgoing due diligence. In this process, we also verify the appropriateness of investments from an ERM perspective, taking into consideration the impact of investment implementation on Group-wide capital efficiency (return on equity (ROE)), financial soundness relative to risk (ESR), and ROR.

#### (3) Natural Catastrophe Risk Management

We appropriately manage natural catastrophe risks by conducting quantitative analysis of data on past natural catastrophes and keeping the risks within tolerance levels, which are established in light of capital and profits. Further, in response to the recent increase in the frequency of natural catastrophes, we are acquiring the latest knowledge through analysis of the damage trends of recent typhoons and other natural catastrophes as well as through analysis of meteorological and climatic big data. We then incorporate our findings into in-house models and upgrade them. At the same time, we use evaluations of natural catastrophe risks when considering appropriate premium levels and in business management decisions on business plans and reinsurance strategies.

### 2. Risk Control System

#### (1) Material Risk Management

We exhaustively identify and assess the risks that businesses face and define risks that could have a significant impact on businesses as Material Risks. The Group determines the adequacy of countermeasures for Material Risks and continuously monitors these risks. If measures are found to be inadequate, we appoint a person responsible and implement countermeasures. Further, the Group defines emerging risks as those that are not currently material but which, due to environmental changes, could become material and have a significant impact on the Group in the future. We identify the precursors of risks becoming significant and manage such risks accordingly. Through dialogue with experts in Japan and

overseas and with reference to various sources of information, we identify candidate emerging risks. Of these risks, we monitor, research, and study on a Group-wide basis those with potential effects above a certain level. Such activities not only mitigate losses but also contribute to the realization of business opportunities through the development of new insurance products and services.

#### (2) Capital Adequacy Management

We quantify the various types of risks that we face by using value at risk (VaR) as a unified risk indicator. If needed, we take management measures to ensure that capital is maintained at an adequate level relative to risks.

The Sampo Group's ERM at a Glance

ERM: Three Functions of the "Compass of Management"

- (1) Correct understanding of the Group's current position (multifaceted analysis of the current situation)
- (2) Sensitive detection of potential risks (precise understanding of and countermeasures for important risks)
- (3) Clear indication of the route the Group should take (risk-taking commensurate with risk appetite)

Implementation of Strategies (Risk-Taking)

Risk Appetite Principles

The Group aims to:

1. Become a globally competitive group and maximize corporate value by controlling the balance between capital, return, and risk appropriately, improving capital efficiency, and expanding Group profit
2. Enhance the profitability of the domestic P&C insurance business and actively take risks in growth areas, namely, the overseas insurance business, the domestic life insurance business, and the nursing care & healthcare business
3. Secure competitiveness among global insurers by maintaining financial soundness with a target credit rating of AA
4. Maintain stable returns and target adjusted consolidated profit of around ¥300.0 billion and adjusted consolidated ROE of 10% or more to ensure the Group's sustainable growth

Risk-Taking Strategy

Specific directives for risk-taking in each business domain and target capital levels

Risk Tolerance

Level of financial soundness required to execute Group strategies

Risk-Taking in Accordance with Business Plans and Capital Allocation

Management Use of ERM

Enhancing profitability by incorporating ROR into individual measures for the development and management of insurance products, the evaluation of risks in M&A deals, and natural catastrophe risk control

Risk Control System

Material Risk Management

Risk is analyzed and evaluated qualitatively and quantitatively based on risk assessments and the opinions of external experts. The senior management team discusses risks that are changing rapidly or which require countermeasures.

Emerging Risk Management

Risks that change or manifest as a result of environmental changes are managed by identifying the signs of such risks becoming Material Risks.

Qualitative

Capital Adequacy Management

Management is conducted to ensure that capital is maintained at an adequate level relative to risks, which are quantified by using value at risk (VaR) as a unified risk indicator.

Stress Testing

Management is conducted to ensure that financial soundness would be maintained if stress scenarios were to materialize.

Quantification of qualitatively identified risks

Quantitative

Risk Limit Management

Credit, reinsurance counterparty, and overseas natural catastrophe risks are managed so that they do not exceed limits.

Liquidity Risk Management

Management is conducted to ensure adequate liquid assets are secured.

Foundations (Risk Control System)

### (3) Stress Testing

To accurately identify and manage events that could significantly affect its business management, the Group conducts scenario stress testing, reverse stress testing, and sensitivity analyses on a Group-wide basis. We analyze the degree to which such events would affect both capital and risk and take countermeasures if required.

### (4) Risk Limit Management

We have established limits on a Group-wide basis for credit risks, reinsurance counterparty risks, and overseas natural catastrophe risks to avoid huge losses arising from the occurrence of specific events. We manage the risks to ensure that they do not exceed these limits.

### (5) Liquidity Risk Management

In addition to projecting cash needed for day-to-day operations, we project the maximum cash outflows that could result from such events as large-scale natural catastrophes. We then conduct management to ensure we have adequate liquid assets to meet such outflows.

<b>Scenario Stress Testing</b>	We evaluate how significantly large-scale natural catastrophes, financial market disruptions, and other stress scenarios could affect business management and verify capital adequacy as well as the effectiveness of risk mitigation measures. Moreover, we regularly verify the validity of stress scenarios to ensure that we can respond appropriately to environmental changes.
<b>Reverse Stress Testing</b>	We identify specific events that breach risk tolerance levels and consider appropriate countermeasures for stress events in advance.
<b>Sensitivity Analyses</b>	We identify the impact on capital and risks of fluctuations in key risk factors. Also, we verify the validity of in-house models by comparing theoretical figures calculated by in-house models with the figures of actual results.

## TOPICS

### Strengthening the Group's Actuarial Function

With the aim of maintaining and improving the Group's financial soundness and bolstering data analytics and information technologies that facilitate better management decision-making, the Group is strengthening its actuarial function that covers the entire organization. For example, we are preparing actuarial policies, enhancing human resources with respect to actuarial professionals, developing IT environments for data utilization, and upgrading the verification of internal models for ERM. As part of these efforts, in January 2020 we established the position of Group Chief Actuary (GCA) and appointed Edward Plowman as our first GCA. Mr. Plowman has served in a wide range of capacities in the insurance and reinsurance industries worldwide including Japan.



Edward Plowman (GCA)

### 6th Global CRO Assembly

The purpose of the Global CRO Assembly is to bring together the ERM and compliance managers of our main Group companies once a year, so that they can hold discussions and share progressive examples focused on Group-wide and individual tasks for the enhancement of ERM and compliance.

With "The Road to World-Class ERM" as its theme, the sixth assembly, held in January 2020, emphasized the importance of companies' senior management and relevant divisions' involvement in ERM. Discussions were held not only on ERM utilization but also on actions going forward. These discussions covered the tasks companies see as important in the strengthening of their ERM through to the preparation of action plans.



Lively discussion at a workshop



Participants included chief risk officers and ERM and compliance managers from Group companies in Japan and overseas