

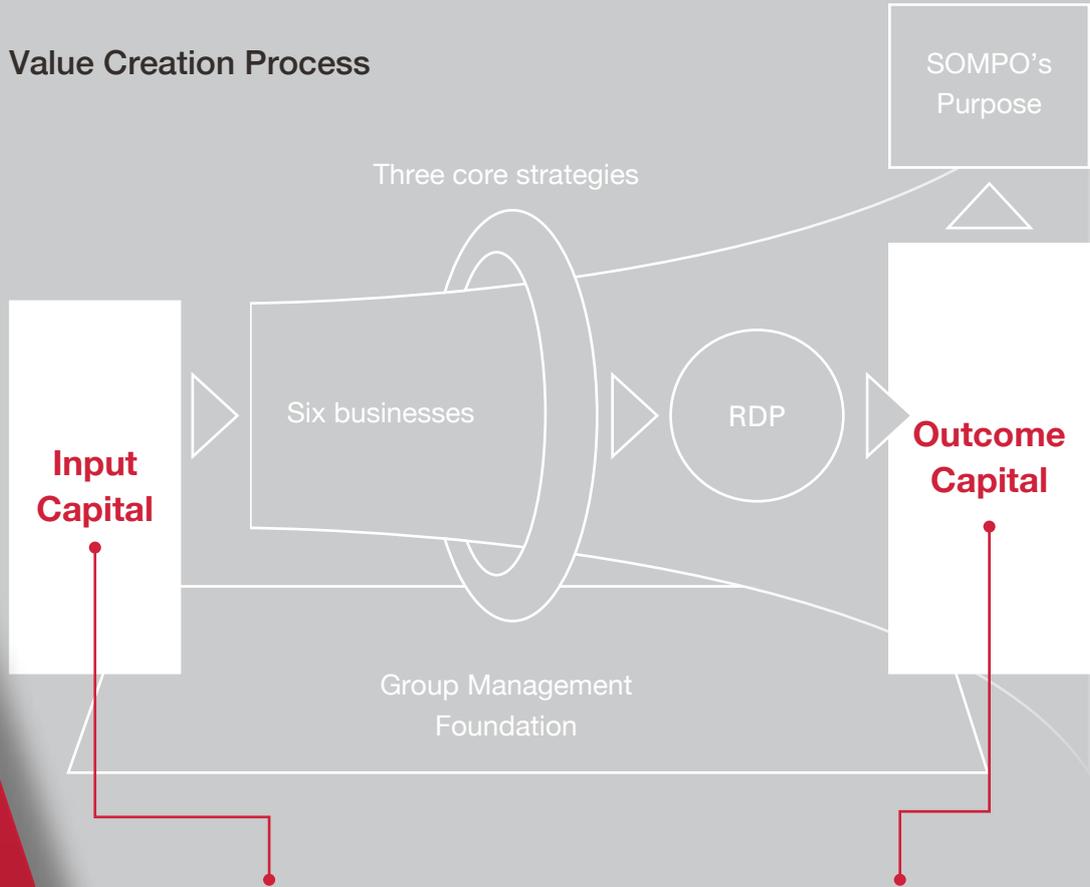
# CAPITALS

## SOMPO's various capital as a source of competitiveness

The source of the Group's competitiveness comes from the capital it has accumulated over its 130-year history. Based on a stable revenue base and the social trust, the Group has built good relationships with various stakeholders, and will continue to work proactively to improve its capital to foster the ability to change the future society with diverse talents and connections.

In addition, by combining our various accumulated capital, we aim to create unique value that only the Sompo Group can provide to realize our Purpose.

## Value Creation Process



### Input

Financial capital

Social and relationship capital

Human capital

Intellectual capital

### Outcome

Financial capital

Social and relationship capital

Human capital

Intellectual capital

Natural capital

# Sompo Group's various capital as a source of competitiveness

## Financial capital

Based on its strong cash-generating capabilities and financial soundness, the Company will further expand its profits and improve its capital efficiency and profit stability.

Adjusted consolidated net assets

**¥2,755.5**  
billion  
(March 31, 2021)

Revenue

**¥3,434.2**  
billion  
(FY2020)

Financial soundness

ESR

**238%**  
(March 31, 2021)

Consolidated solvency margin ratio

**872%**  
(March 31, 2021)

Adjusted consolidated profit

**¥300.0**  
billion or more

Adjusted consolidated ROE

**10%**  
or higher

Diversification effect

Risk diversification ratio

**Improve**  
vs. FY2020

Overseas business ratio

**30%**  
or higher

※ Targets for the final year of the new Mid-Term Management Plan

## CFO Message

We will implement capital policies based on our Enterprise Risk Management (ERM) framework to fulfill SOMPO's Purpose.

### Masahiro Hamada

Group CFO, Group Co-CSO,  
Senior Executive Vice President and Executive Officer

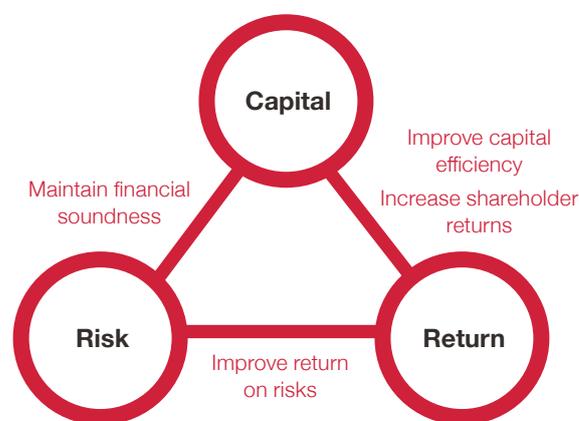


We have formulated a new Mid-Term Management Plan covering a three-year period starting from fiscal 2021 with the aim of fulfilling SOMPO's Purpose. This plan consists of three core strategies, which include the pursuit of "Scale and Diversification" to boost the profitability of existing businesses and stabilize profits, "New Customer Value Creation" by utilizing real data, and "New Work Style." We will implement capital policies as a business foundation to support these strategies.

### Basic capital policy

Our capital policy is based on the Enterprise Risk Management (ERM) framework. Its basic policy is to maintain robust financial health by appropriately controlling the balance of capital, risk, and return, while steadily improving capital efficiency to grow profits to a world-class level and achieve an adjusted consolidated ROE of 10% or higher, as well as ensuring attractive shareholder returns (dividends paid + share buybacks) commensurate with both profit and shareholder equity levels.

#### Capital policy based on ERM framework



### Improvement of capital efficiency

To sustainably boost the Group's capital efficiency, we have been working on initiatives to maintain and improve stable cash flow generation from existing businesses and utilize the generated cash flow mainly for growth investments including M&A and in areas such as digital technology, thereby improving capital efficiency while raising profit levels. By reviewing and advancing these initiatives one by one in our new Mid-Term Management Plan, we aim to achieve our mid-term goals of expanding adjusted consolidated profit to ¥300.0 billion or more and improving adjusted consolidated ROE to 10% or higher by fiscal 2023, the final year of our new Mid-Term Management Plan.

The target for adjusted consolidated ROE was set based on our cost of capital of 7% and the average level of our global peers, as estimated by CAPM\*1.

\*1 Capital Asset Pricing Model: A method used to calculate expected return using risk-free rate + beta (sensitivity of our stock price to the stock market) × market risk premium

Now I would like to describe each of our initiatives. To clarify the Group's mid-term risk-taking policy and direction, we reviewed our previous Group risk appetite and formulated a new Risk Appetite Statement (RAS) as part of our new Mid-Term Management Plan. The RAS indicates the risk-taking approach for each risk category by taking into

# Sompo Group's various capital as a source of competitiveness

## Financial Capital - CFO Message

consideration return on risks. Based on this, we will reduce strategic holding stocks with low capital efficiency and domestic interest rate risk by strengthening ALM, and use the capital and cash flow generated to invest in growth areas with high capital efficiency.

For the new Mid-Term Management Plan period, our KPIs include reducing strategic holding stocks by about ¥150 billion and purchasing ¥300 billion of super-long-term bonds annually in the domestic life insurance business to lower interest rate risk.

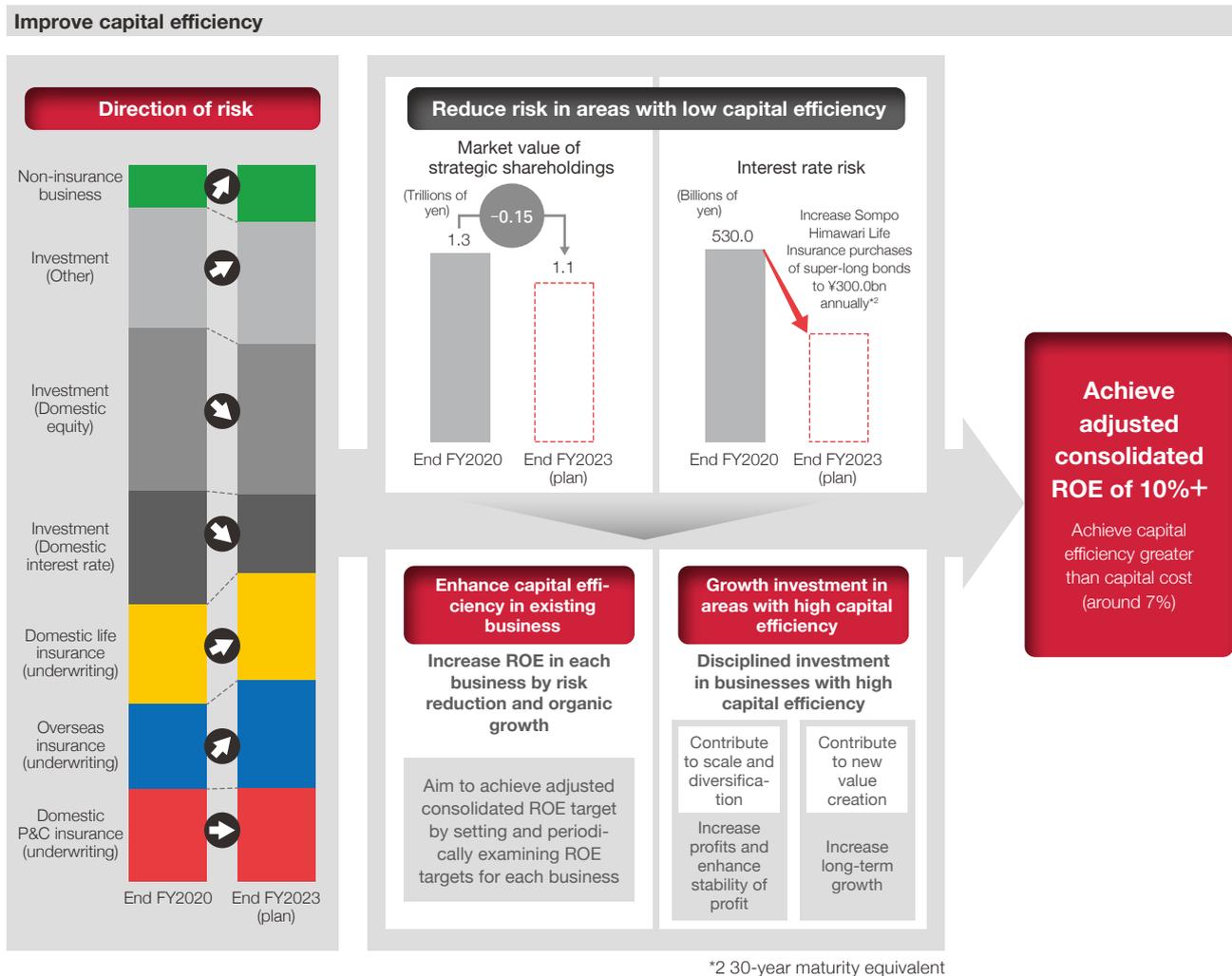
In addition, by introducing a new framework to appropriately monitor the progress of initiatives for each business, such as setting ROE targets by business and examining them periodically, we will enhance our probability of success in achieving our adjusted consolidated ROE target.

Next, let me describe our growth investments. The cash flow generated by each business will be used for shareholder returns, which I will explain later, as well as to fund growth investments such as M&As. As part of the new Mid-Term Management Plan, we plan to allocate management resources of around ¥600 billion to growth investments that

contribute to the “Scale and Diversification” and “New Customer Value Creation” portions of our three core strategies.

To promote “Scale and Diversification,” we will invest in M&A and organic growth mainly in our Overseas Insurance and Reinsurance Business with the aim of bettering our chances of achieving our management targets for adjusted consolidated profit, adjusted consolidated ROE, and diversification effects. In pursuing “New Customer Value Creation,” we will contribute to solving social issues and plan to invest in creating a Real Data Platform (RDP), digital and other advanced technologies, as well as in the healthcare domain with the aim of boosting growth over the medium to long term.

When considering M&A deals, in addition to a detailed analysis of the consistency with our business strategy and expected synergies, we have established a disciplined investment framework by setting a hurdle rate that takes into account the WACC (weighted average cost of capital) based on financial leverage and the characteristics of the acquisition target.

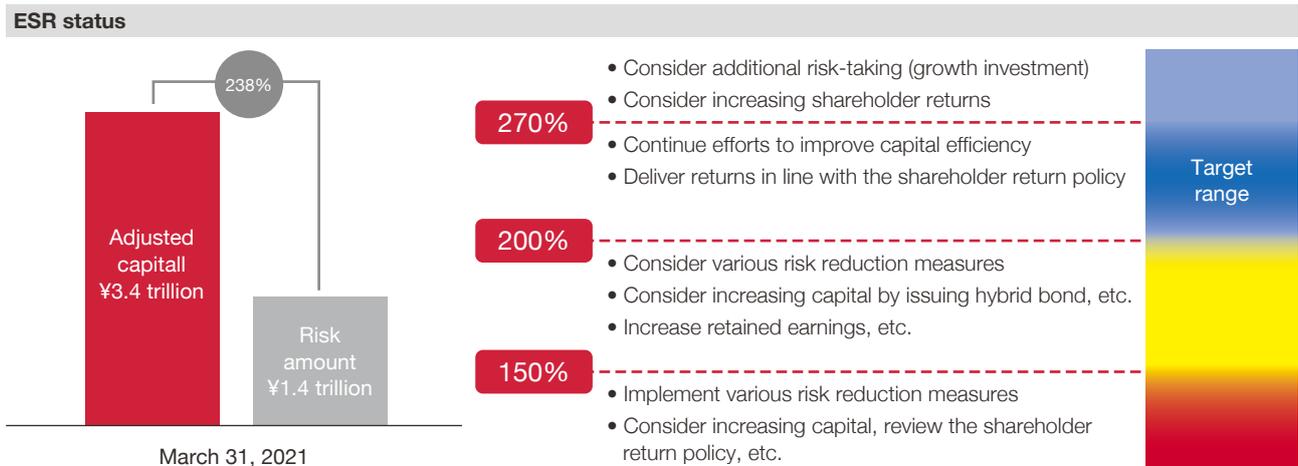


## Maintenance of financial soundness

To maintain robust financial health, we manage capital based on the Economic Solvency Ratio (ESR), which compares capital and risk based on economic value. In capital management, we set a target capital level (ESR: 200% to 270%) and risk tolerance as a guide to appropriate capital levels from the perspective of financial soundness and capital efficiency, and implement appropriate capital policies according to the ESR target levels. In calculating ESR, we take into account recent

regulatory trends and disclosures by domestic and overseas insurance companies. Additionally, in order to enhance global comparability, we have adopted capital management methods that comply with international capital regulations and are working to maintain financial soundness.

The ESR as of March 31, 2021 was within our target capital level at 238%, giving us sufficient financial soundness.

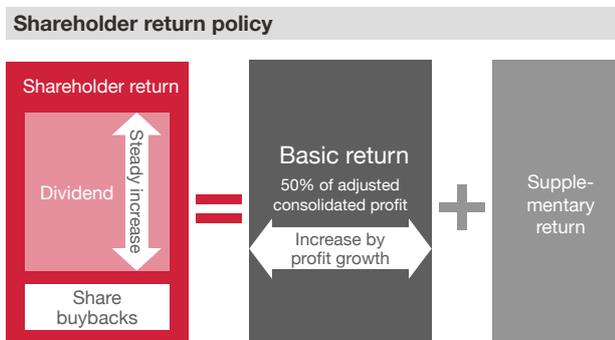


## Shareholder returns

We aim to provide attractive shareholder returns while taking into consideration our financial soundness and the business environment, with the basic policy of continuously increasing dividends through sustainable profit growth as well as maintaining the option of flexibly executing share buybacks depending on share price and capital availability.

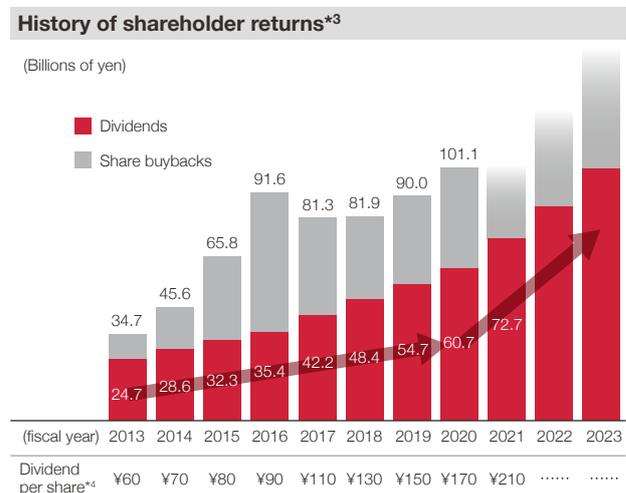
Under the new Mid-Term Management Plan, we set a basic shareholder return rate equivalent to 50% of adjusted consolidated profit and will steadily increase the total amount of returns (dividends paid + share buybacks) through profit

growth. We will also provide supplementary returns depending on financial performance, the financial market environment, and capital conditions. In addition, our basic policy is to increase dividends in line with profit growth, and to raise the ratio of dividends to total payout. Based on this policy, we project an annual dividend of ¥210 per share in fiscal 2021 (interim dividend: ¥105, year-end dividend: ¥105), an increase of ¥40 from fiscal 2020, and the eighth consecutive year of dividend increases.



Note: Supplementary return will be provided in the following circumstances based on risk and capital situations and outlook for the future. Cases for supplementary returns include:

- When ESR constantly exceeds the target range
- When the adjusted profit declines due to one-time factors such as natural disasters, maintain the prior fiscal year's level of return
- When growth investment such as large-scale M&A is not expected
- When it is determined that enhancement of capital efficiency, etc., are needed



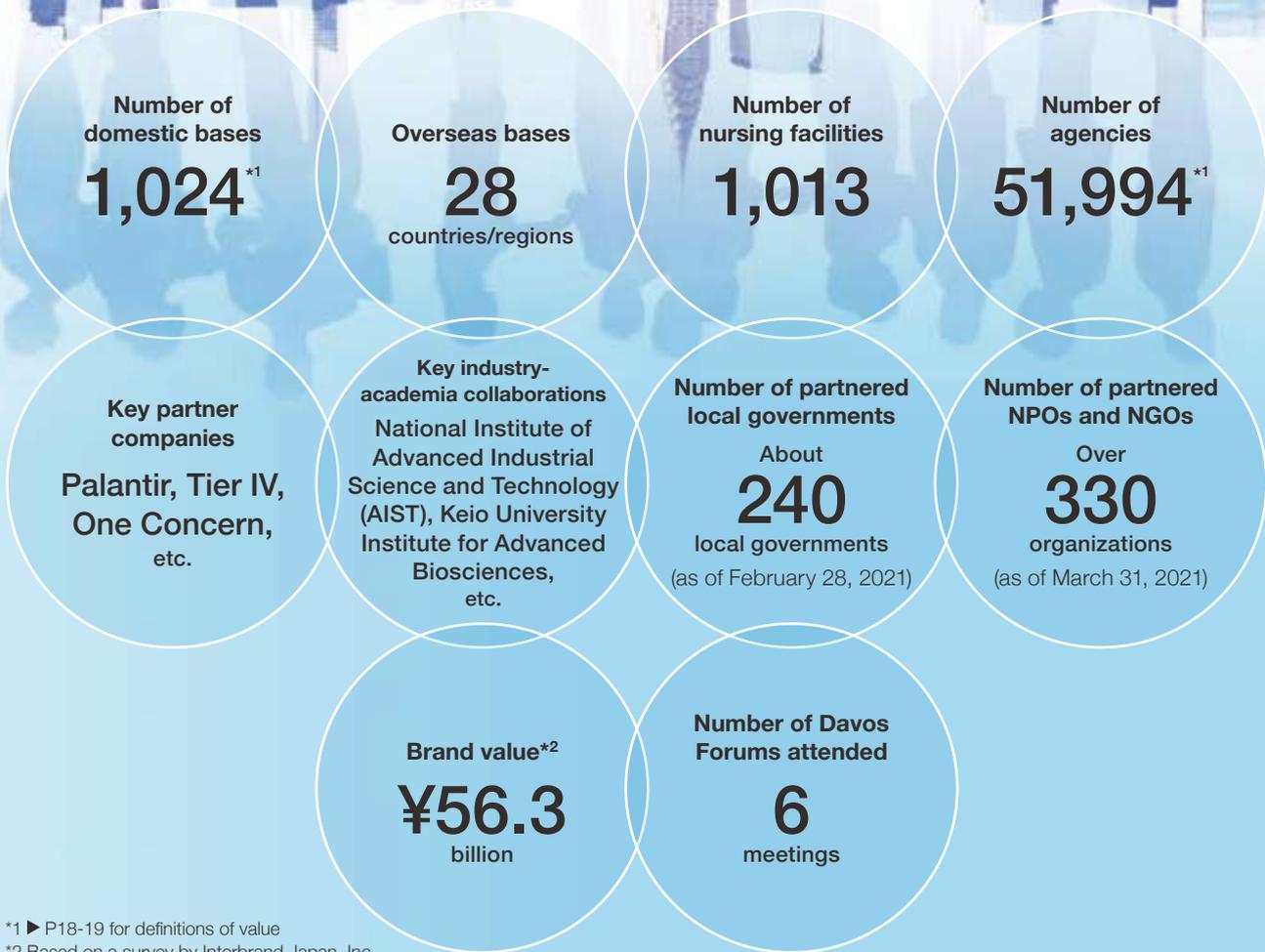
\*3 FY2021 onwards are rough estimates  
\*4 Dividend per share (FY2021): forecast

# Sompo Group's various capital as a source of competitiveness

## Social and relationship capital



The Sompo Group collaborates with partners such as agencies, corporations, local governments, universities, research institutions, NPOs, and NGOs to provide a variety of solutions to meet customer needs. We are also working toward fulfilling the SOMPO's Purpose by strengthening our brand through proactive communication.



\*1 ▶ P18-19 for definitions of value  
 \*2 Based on a survey by Interbrand Japan, Inc.

# Social and relationship capital initiatives

## Business alliance with Palantir Technologies Inc. and Palantir Technologies Japan for the utilization of real data

- 17.16 Multi-stakeholder partnership
- 9.1 Sustainable infrastructure
- 11.b Disaster-resilient community development

To provide new solutions by utilizing the large amount of high-quality real data held by the Sampo Group, we decided to form a business alliance consisting of three companies: Sampo Holdings, Palantir Technologies Inc. (hereinafter “Palantir”), and Palantir Technologies Japan K.K., which was established last year as a joint venture with Palantir Technologies Inc. Palantir is comprised of the world’s best data analysis professionals, and its founders have a philosophy that “superior technology should be used to make the world and people happy.” The Sampo Group shares this philosophy and is convinced that it is necessary to work hand in hand with partners like Palantir to create new value to further the growth of the Group. By combining Palantir’s technology with the Sampo Group’s valuable real data, we will develop a Real Data Platform (RDP) to provide new solutions and further refine the Group’s problem-solving capabilities.



## Collaborating with One Concern and Weathernews

- 17.16 Multi-stakeholder partnership
- 11.b Disaster-resilient community development
- 13.1 Adapting to climate change

With the recent shift to a new normal climate, characterized by frequent major natural disasters, we believe that the Sampo Group has a responsibility to work on solving issues that will help create a disaster-resilient society. In addition to the traditional role of P&C insurance, which is to provide financial coverage after a disaster has occurred, we would like to take a more proactive approach to disaster preparedness to prevent and mitigate disasters and to help ensure a quick recovery after a disaster occurs. Furthermore, we would like to provide new services to our customers by utilizing technology, namely through AI and data. Sampo Japan Insurance has formed a business alliance with Silicon Valley-based disaster prevention start-up company One Concern, Inc. and Weathernews Inc. to jointly develop an AI-based flood and earthquake damage prediction system to contribute to the improvement of regional disaster preparedness. This system utilizes AI and a variety of data related to local disaster prevention, including data on weather and buildings, to enable damage prediction and real-time tracking of damage before, during, and after floods and earthquakes by block (parcel). Following verification conducted in

Kumamoto City from March 2019, we aim to develop a disaster prevention and mitigation system unique to Japan.

In cooperation with local governments, we will strengthen our efforts to help create disaster-resilient communities by using this system.



Flood damage prediction system

## Sompo Group's various capital as a source of competitiveness

### Social and relationship capital

#### Project to create new ways of nursing care through the coexistence of humans and technology

3.4	Mental health and welfare promotion
17.16	Multi-stakeholder partnership
1.3	Social protection system

We established the Future Care Lab in Japan in February 2019 as a place to demonstrate, experiment, and develop various technologies aimed at shrinking the supply-demand gap of nursing care personnel by increasing productivity through the use of digital technologies and ICT. The lab has conducted joint research and development that combines technologies from startup companies, major manufacturers, and research institutions with the know-how of the Sompo Group, and has evaluated and verified over 350 technologies since its establishment (as of the end of fiscal 2020). In the verification process, the lab not only evaluates the performance, but also the safety, quality of care, and workload reduction of nursing care personnel. As a result, 10 technologies have been implemented in the Sompo Group's nursing care facilities as of the end of fiscal 2020.

In addition, in fiscal 2020, the company was selected as a Living Lab in the Ministry of Health, Labour and Welfare's Living Platform Creation Project, and is working to contribute to the development of society by supporting companies that

wish to evaluate nursing care robot products under development and verify them in nursing care facilities, as well as planning and implementing pitch contests for start-up companies.



#### Supporting startups through investment in Japan's first ESG-focused venture capital fund

9.5	Research promotion and technology improvement through innovation
17.16	Multi-stakeholder partnership
8.3	Supporting SMEs through innovation

In May 2021, we invested in MPower Partners Fund L.P. (hereinafter "MPower"), the first ESG (Environmental, Social and Governance) focused venture capital fund in Japan. The fund aims to support entrepreneurs aiming to solve social issues with the power of technology and promote sustainable growth by integrating ESG into their strategies. The key investment areas are the healthcare and wellness, fintech, next-generation workstyle and education, next-generation consumers, and environment and sustainability domains.

Through our investment in the fund, we will contribute to the sound development of financial markets and society as a whole by supporting startups with growth potential to achieve sustainable growth by implementing ESG into society. In addition, we will accelerate the Sompo Group's SDGs in Business Management to create both social and economic value through future-oriented dialogue while actively engaging with the stakeholders participating in the fund.

Note: MPower's investment team members are as follows

##### Kathy Matsui

Kathy Matsui was previously Vice Chair of Goldman Sachs Japan and Chief Japan Equity Strategist.

##### Yumiko Murakami

Yumiko Murakami was previously head of the Organization for Economic Cooperation and Development (OECD) Tokyo Center. She has served as a member of many councils, including those of the Cabinet Office, Ministry of Economy, Trade and Industry, and Ministry of Foreign Affairs.

##### Miwa Seki

Miwa Seki worked in investment banking and equity capital markets for Morgan Stanley before moving to Clay Finlay, an asset management company, as head of their Japan office.

##### Eriko Suzuki

Eriko Suzuki launched the Japan business of a US drone startup and has been involved in venture capital at Mistletoe Japan, Inc. and Fresco Capital.



## Agreement with the National Institute of Advanced Industrial Science and Technology (AIST) on comprehensive mutual cooperation to solve social issues

- 17.17 Public, public-private, and civil society partnerships
- 9.5 Research promotion and technology improvement through innovation
- 8.2 Improving economic productivity through innovation

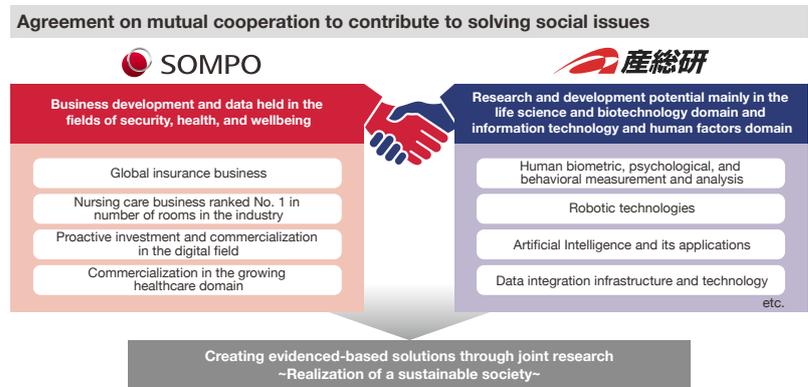
Sompo Holdings has concluded an agreement on comprehensive mutual cooperation with the National Institute of Advanced Industrial Science and Technology (hereinafter “AIST”), one of the largest research institutes in Japan, in order to solve social issues such as the declining birthrate and aging population and the challenges associated with the new normal by leveraging expertise in our own respective fields. The purpose of this agreement is to contribute to the growth of the Japanese economy through the effective promotion of joint research and the social implementation of its results.

We provide the business model and the data we possess, and AIST scientifically analyzes and verifies their value. In addition, both parties aim to build a platform for creating new customer value and solutions by forming an ecosystem involving the national government, local governments, and businesses.

The first step will be to develop and standardize methods for assessing nursing care quality, and to develop methods for efficiently

grasping the actual state of the nursing care process, with the aim of contributing to solving the problems of our super-aging society, and eventually to disseminate this to the world as a security, health, and wellbeing solution coming from Japan.

We will continue to discuss and add to the agenda of social issues we face, domains of collaboration, and specific research as needed.



## Collaborating with NPOs and NGOs to address global environmental issues

- 17.16 Multi-stakeholder partnership
- 13.3 Raising awareness of the need to adapt to and mitigate climate change
- 4.7 Education to promote sustainable development

In collaboration with local environmental organizations, NPO support centers, and the Japan NPO Center, Sompo Japan Insurance has been carrying out the SAVE JAPAN Project, a nationwide annual biodiversity conservation activity involving public participation. By the end of fiscal 2020, we have held approximately 870 events with over 46,000 participants, using the cost savings gained from customers selecting web-based policy clauses and web-based insurance policy certificates when signing their contract and opting for recycled parts for repairs in the event of an automobile accident

as the source of funds for our activities.

The Sompo Group supports the CSO Learning Scholarship Program implemented by the SOMPO Environment Foundation, which provides internship experiences at CSOs (Civil Society Organizations: a term that describes civil society organizations, including NPOs and NGOs) in the environmental field for university and graduate students. A total of 1,167 students have completed this program as of the end of fiscal 2020, and we launched a similar program in Jakarta, Indonesia, in February 2019.



SAVE JAPAN Project



CSO Learning Scholarship Program  
Kick-off ceremony for the second term in Jakarta, Indonesia

# Sompo Group's various capital as a source of competitiveness

## Social and relationship capital

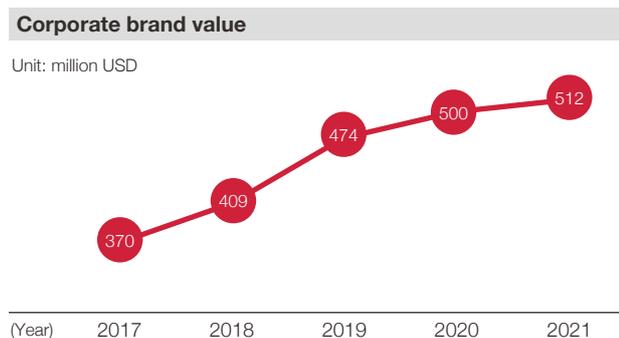
### Brand strategy to fulfill the SOMPO's Purpose

#### Initiatives to enhance SOMPO's brand value

In 2019, we formulated a group brand slogan, "A Theme Park for Security, Health & Wellbeing," which is the Sompo Group's vision, and we are rolling it out globally.

We are accelerating Group-wide efforts to fulfill the SOMPO's Purpose through both our management and brand strategies, with the aim of going beyond our traditional image as a conventional P&C insurance company and becoming a well-known solution provider that contribute to the security, health, and wellbeing every people fundamentally seek.

The brand value of the Company has constantly grown



\*Excerpt from the press release of Interbrand Japan, Inc.

as a result of Group-wide efforts to enhance brand value with a sense of unity centered on our brand story. As a result of these efforts, our company name recognition in Japan has more than tripled over the past five years to nearly 80% according to an external survey commissioned by the Company.

For more information on the SOMPO's branding initiatives, please see our branding movie.

Sompo Group  
**Brand story video (A message from the CEO)**



Sompo Group  
**Documentary video**

Sompo Group  
**History video**



Each video can be viewed on YouTube via QR Code®. (QR Code® is a registered trademark of Denso Wave Inc.) It can also be viewed on the Sompo Holdings website or through our official YouTube channel.

<https://www.sompo-hd.com/en/company/channel/>

#### Increased global presence through activities at the World Economic Forum

The World Economic Forum (WEF), founded by Klaus Schwab, is a non-profit international organization dedicated to public-private cooperation to improve world affairs. In collaboration with political, economic, academic and other leaders from around the world, including heads of state and corporate executives, the WEF takes the lead in setting important global, regional, and industrial agendas.

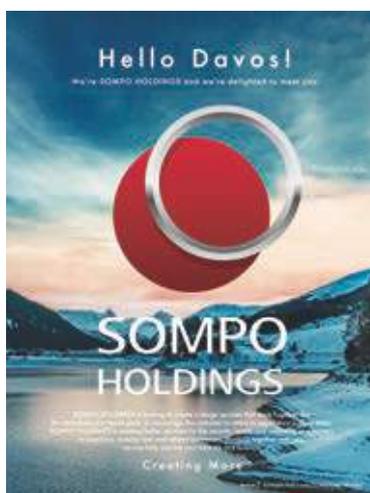
Since 2015, we have actively participated in the annual meeting in Davos, Switzerland, held every January (commonly known as the Davos Forum) six times, and have demonstrated our global presence by participating in its activities.

The 2021 Davos Forum was held in January as a special online event called the Davos Agenda due to the spread of COVID-19. Leaders from various fields

engaged in lively discussions aimed at achieving The Great Reset to build a better world. As a speaker, Sompo Group CEO Sakurada presented Japanese values and spirituality that can contribute to building a post-COVID sustainable

society along with the Sompo Group's initiatives in nursing care.

We have established a partnership with the English news magazine TIME, through which we communicate our activities at the WEF to world leaders participating in the WEF and to readers in 200 countries. In a WEF feature published in November 2020, our Group CEO Sakurada submitted an article titled "Redesign Capitalism to Incorporate Social Value" that presented a new capitalism needed after COVID-19 and the Sompo Group's social value in the new era.



17.16 Multi-stakeholder partnership

9.5 Research promotion and technology improvement through innovation

## Participation in the WEF Centre for the Fourth Industrial Revolution

We are participating in the activities of the Centre for the Fourth Industrial Revolution (C4IR), established by the WEF in 2017. C4IR is the world's largest multi-stakeholder platform for the responsible use of advanced technologies such as AI, blockchain, IoT, and autonomous driving, and for exploring ways to promote their implementation in society.

Through its participation in projects organized by C4IR, Sompco Holdings has been exploring appropriate management methods and effective ways to utilize personal data,

including in the medical and nursing care fields, as well as conducting risk analysis for the practical application of autonomous driving technology. We have published the results of these studies in a WEF white paper.

In April 2021, our executive participated as a speaker at the 1st Global Technology Governance Summit 2021, hosted by the WEF, and communicated the Sompco Group's efforts in creating new social value through the use of data and technology to the world.



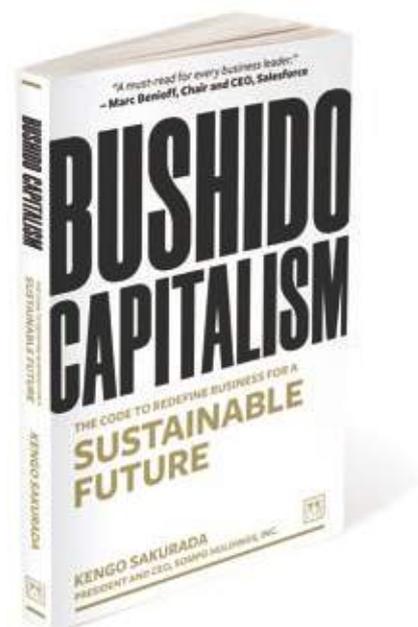
CAPITALS

## Launch of "BUSHIDO CAPITALISM" to the world as part of global branding

To build a global brand, we published a book worldwide to introduce our views on management and capitalism, which underpins SOMPO's Purpose and the social value we provide.

Sompco Group CEO Sakurada authored the book, which was published overseas in English in July 2021 and will be published in Japanese in December. By communicating mainly to global business leaders, investors, analysts, and intellectuals, we aim to increase our global recognition and presence.

This book presents a modern version of the values of Bushido, which have long been rooted in Japanese culture, based on Dr. Inazo Nitobe's "Bushido: The Soul of Japan," published in 1900, along with examples of our efforts. While the world is facing instability of capitalism, the book will be sent out to the world as a guidance for business leaders to reconsider the business for a sustainable future.



# SOMPO's various capital as a source of competitiveness

## Human capital



We will create “The Ideal Group of Talents” who share the Three Core Values (Mission-Driven, Professionalism, Diversity & Inclusion), and make them the driving force for achieving the Sompo Group’s Purpose.

### Number of officers and employees by business

Number of officers and employees\*1

**74,664**

Male: 27,268  
Female: 47,396

Domestic P&C insurance

**36,018**

employees

Overseas insurance

**10,826**

employees

Domestic life insurance

**2,666**

employees

Nursing care and seniors\*2

**23,610**

employees

Others

**1,544**

employees

Average age of employees\*3

**41.7**  
years old

Ratio of female directors and executive officers

**8.6%**

Ratio of the foreign national directors and executive officers\*4

**13.6%**

Ratio of disabled employees

**2.38%**

(as of June 1, 2021)

Selected as “Health & Productivity Stock”

**Three**  
years in a row

Employee Engagement

Targets\*5  
Gallup Q12 Average Score

(Domestic) **3.70**pt

(Overseas) **4.10**pt

MY Mission training participation rate

Targets\*5

**All eligible employees have completed training**

Target values for the health and productivity management indicator, Work Limitations Questionnaire (WLQ)\*5

**Improvement from the previous year at each company**

Number of companies recognized under the Certified Health & Productivity Management Outstanding Organizations Recognition Program\*6

**20**  
companies

Large companies  
**13**  
companies

Small & medium-sized companies  
**7**  
companies

\*1 As of March 31, 2021

\*2 Name changed from Nursing Care & Healthcare Business on April 1, 2021.

\*3 Includes Sompo Holdings, Sompo Japan Insurance Inc., SOMPO Himawari Life Insurance, and Sompo Care

\*4 Ratio of the Company’s executive officers and senior vice presidents. The ratio of foreign national directors is 8.3% (1 out of 12 directors)

\*5 Target value at the end of FY2023

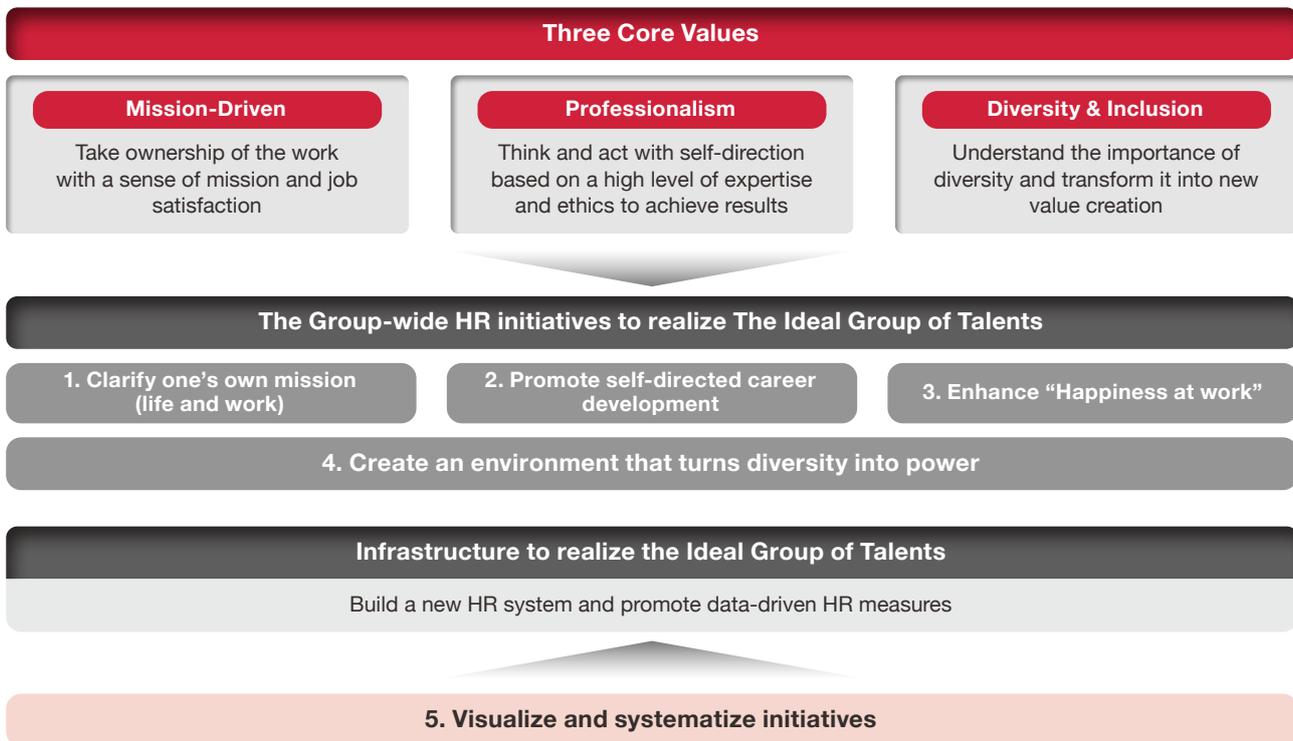
\*6 Of which, 9 companies were included in the White 500 (large corporation category) and 1 company in the Bright 500 (small and medium size category)

# Initiatives to Improve Human Capital

## Create “The Ideal Group of Talents” who share the Three Core Values

To carry out corporate culture reforms for the Group’s evolution and fulfill the Sampo Group’s Purpose, we must boost our employees’ motivation and happiness and dramatically improve their productivity through “New Work Style,” which is one of the core strategies of the new mid-term management plan. To this end, the Sampo Group aims to create “The Ideal

Group of Talents” who share the Three Core Values (mission-driven, professionalism, diversity & inclusion). To realize this, we will carry out a variety of Group-wide HR initiatives and introduce a Productivity KPI System as a framework to systematize and visualize our initiatives, which will help us check our progress and make improvements.



## Key Group-wide HR initiatives to realize “The Ideal Group of Talents”

### Clarify one’s own mission (life and work)

#### Practice a self-directed work style based on MY Mission

The Sampo Group has launched the online management training program “MY Mission Training Program” to pursue transformation that creates a mission-driven corporate culture. Through the MY Mission 1-on-1 meetings with supervisors, each employee discusses and focuses on their own mission and practices a self-directed work style.

MY Mission refers to a person’s own life mission. At the Sampo Group, we define “WANT” as the moment when one’s

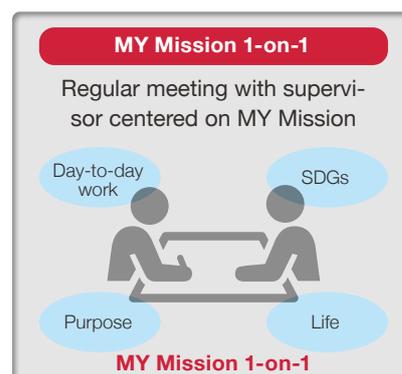
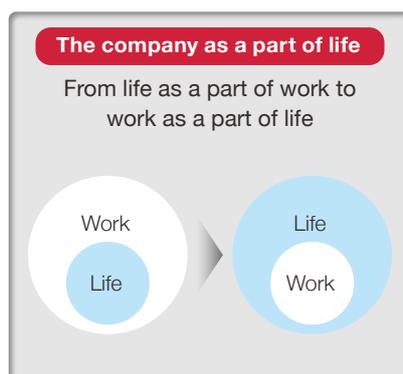
heart is moved, “MUST” as social responsibility, and “CAN” as the ability given to us by fate, and the area where these three circles overlap is the MY Mission that drives us. Then, with the view of work being a part of life, rather than life being a part of work, we aim to further enhance job satisfaction and productivity by having each employee overlay their MY Mission with the Sampo Group’s Purpose as they go about their day-to-day work.

- 8.2 Improving economic productivity through innovation
- 4.4 Improving job satisfaction through technical and professional skills

**Key Group-wide HR initiatives to realize The Ideal Group of Talents**

We will roll out the MY Mission training program, which was first introduced in Sompo Holdings last year, to all Sompo Group companies from fiscal 2021. Then, with MY Mission as the driving force, all employees of the Sompo Group will

take ownership of their work with a sense of mission and job satisfaction, thereby increasing engagement and providing new value to society and customers.



**2 Promote self-directed career development**

**Use of job-based employment system**

Promoting self-directed career development is essential in realizing The Ideal Group of Talents that share the Three Core Values. We will greatly expand opportunities for self-selection of careers and employee growth in order to fulfill each employee's MY Mission, and boost employee satisfaction and productivity.

We are promoting the introduction of a job-based employment system within the Sompo Group to enable self-directed career development. At Sompo Holdings, we introduced the job-based employment system in April 2020. We believe this will help with self-directed career development, as the system clearly defines the required expertise and scope of responsibilities, and is designed to hire and assign talent with the necessary experience and skills based on the nature of the job. In April 2021, all general manager posts in the Company were switched to job-based employment, and section manager posts will also be gradually switched to job-based employment. Additionally, we will roll this system out to each of our businesses. Furthermore, we are actively appointing highly specialized talent from outside of the Company in key positions such as directors, executive officers, general

- 8.2 Improving economic productivity through innovation
- 4.4 Improving job satisfaction through technical and professional skills

managers, and specialists, and are promoting the strategic allocation of talent.

**Introduce consistent group training system and promote self-directed learning**

To develop talent that can take the lead and manage the Sompo Group at a global level in the future, we have been carrying out training for selected employees of all levels since fiscal 2021. For higher-level employees, we offer a curriculum that incorporates our Succession Plan, and for younger employees, we offer the SOMPO Global University, an in-house university in partnership with the National University of Singapore Business School. From the perspective of diversity, we invite a wide variety of participants, including from Sompo Group companies in Japan and overseas, and have introduced a system to ensure that future Sompo Group management talent are familiar with the Group Management Philosophy.

In addition, Sompo Japan Insurance Inc. has established Sompo Japan University as a place for online learning amid the COVID-19 pandemic, and supports the efforts of each and every employee to take on challenges by providing a place for self-directed learning.

**3 Enhance "Happiness at work"**

**Improve engagement and wellbeing**

The Sompo Group aims to contribute to creating a sustainable society by placing even greater importance on the happiness at work of its employees, who are among its

- 3.4 Mental health and welfare promotion
- 8.8 Promoting a safe and secure work environment

multi-stakeholders, along with the interests of its customers and shareholders. In addition, we are working to improve engagement and wellbeing, as we believe that increasing the satisfaction and happiness of each employee is the driving

force behind high productivity. In the employee engagement survey conducted in fiscal 2020, we received responses from over 23,000 employees at 33 companies (21 in Japan and 12 overseas) across the Sampo Group. Furthermore, from fiscal 2021, we have newly set employee engagement as a KPI for the entire Sampo Group. We aim to further improve engagement and wellbeing by developing various measures aimed at promoting and fulfilling the Sampo Group's Purpose, and through measures for work-style reform and initiatives linked to promoting health and productivity management.

#### Promoting health and productivity management

The Sampo Group Health & Productivity Management Declaration formulated in September 2020 is a Group-wide policy that incorporates three key aspects of health and productivity management: (1) embodying the Sampo Group Management Philosophy, (2) improving productivity, and (3) enhancing corporate value. Based on this policy, we are promoting initiatives with a focus on three areas including maintaining and improving employee health, ensuring a vibrant work environment, and data health.

Sampo Holdings has been selected as a Health & Productivity Stock in 2021 for the third consecutive year by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange as a company that excels in health

and productivity management. In addition, 20 Sampo Group companies have been recognized under the Certified Health & Productivity Management Outstanding Organizations Recognition Program.

#### The Sampo Group Health & Productivity Management Declaration

The Sampo Group values the mental and physical health of its employees and their families so as 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 respect our employees' sense of ownership and support proactive health activities that reflect the mission and work style of each employee.
- We will provide a place where people can showcase their diverse talents and strengths, and improve the productivity of individuals and organizations through a healthy and empowering environment.
- We will help create a healthier and more energetic society by improving employee job satisfaction and bringing forth innovation.

## 4 Creating an environment that turns diversity into power

### Promoting diversity and inclusion

The Sampo Group has positioned diversity and inclusion (D&I) as part of its business strategy and is promoting it under the slogan "Diversity for Growth." The purpose of promoting D&I is to facilitate sustainable growth of the Sampo Group and enhance corporate value by bringing forth innovation and improving employee happiness and satisfaction.

To fulfill the Sampo Group's Purpose of serving as "A Theme Park for Security, Health and Wellbeing," we need to welcome the good clashes that happen when a diverse set of people come together, and build on that to innovate and find new value. It is important to achieve true D&I and tie it into major innovation under the idea that each and every employee at the workplace, regardless of gender, disability, nationality, age, etc., can leverage their individual talents and strengths, take advantage of change, and create new value.

In addition, we believe that employees working and feeling that they are contributing to the team by showcasing their unique qualities and strengths is an important factor that leads to employee happiness. Furthermore, we believe that the foundation for this lies in creating a culture that accepts everyone's differences, and the Diversity Promotion Division will be the driving force behind our Group-wide efforts.

5.5 Participation and advancement of women

5.4 Recognizing childcare, nursing care, and housework.

8.2 Improving economic productivity through innovation

4.5 Education and professional training for people with disabilities

### Advancement of women

We aim for women to account for at least 30% of our managers across the Sampo Group by the end of fiscal 2023, and are carrying out training programs for women to improve the knowledge and skills of female employees and transform their awareness and mindset, while also implementing our own programs at each Sampo Group company.

As of July 2013, there were 305 female managers in the entire Sampo Group and the ratio of female managers to total managers was 5.0%, but as a result of the above efforts, there were 1,384 female managers as of the end of March 2021 and the ratio of female managers to total managers was 24.2%.

For the fourth consecutive year, the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE) have selected Sampo Holdings as one of the "Nadeshiko Brand" companies, which are listed companies that make outstanding efforts to encourage women's success in the workplace and are introduced as attractive stocks to investors focused on medium- to long-term enhancement of corporate value.

**Key Group-wide HR initiatives to realize The Ideal Group of Talents**

**Promoting advancement of people with disabilities**

The Sompo Group hires people with disabilities all over the country, and is making efforts to create workplaces where they can play an active role and secure employment. As of June 1, 2021, the Sompo Group's employment rate for people with disabilities is 2.38%.

Sompo Japan Insurance Inc. has placed vocational life consultants for people with disabilities throughout Japan,

and has established a system to provide support for creating comfortable workplaces. SOMPO Challenged Inc., a special-purpose subsidiary\* established in April 2018, also plays a role in driving the employment and activities of people with disabilities in the Sompo Group.

\*A special-purpose subsidiary is a subsidiary that has been certified by the Minister of Health, Labour and Welfare as meeting certain requirements stipulated in the Act on Employment Promotion, etc. of Persons with Disabilities and that gives special consideration to the employment of persons with disabilities.

**5 Visualize and systematize initiatives**

**Established a "Productivity KPI System" to check the progress of initiatives and make improvements**

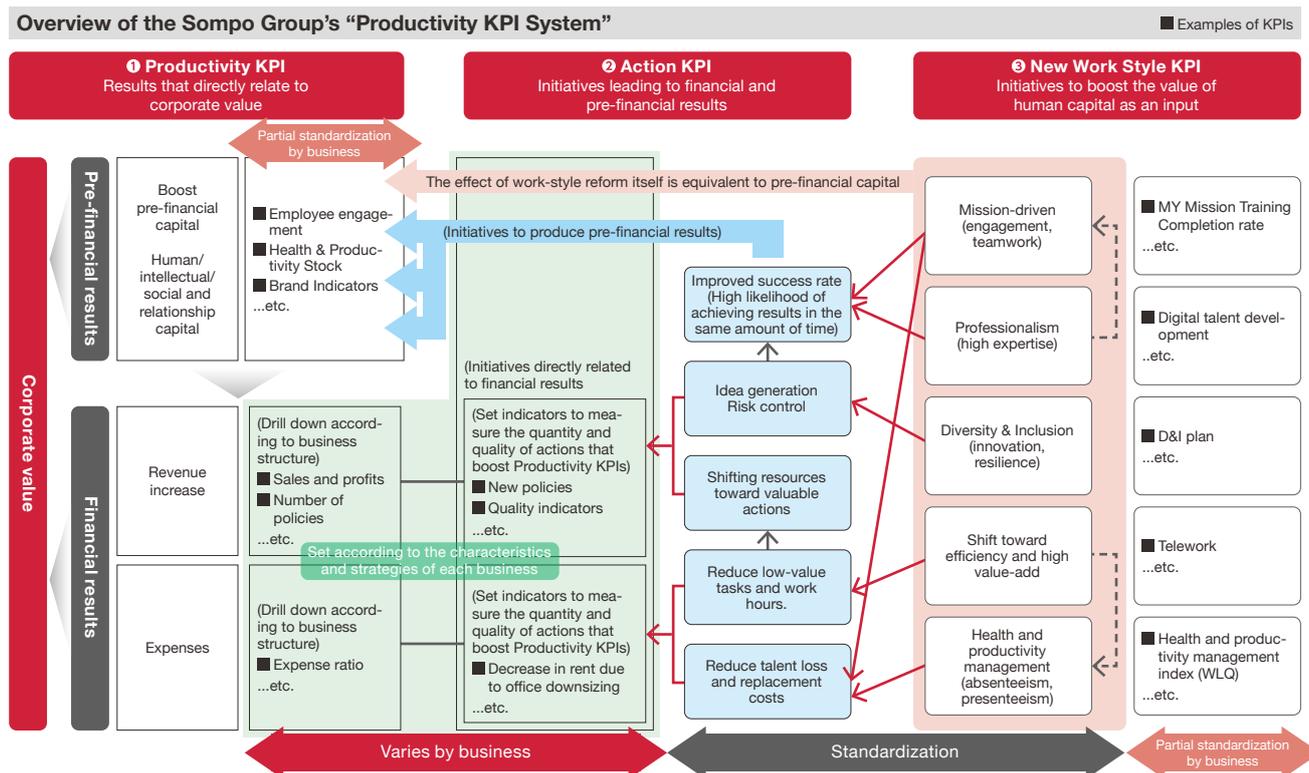
The Sompo Group has established a "Productivity KPI System" to systematize and visualize its initiatives for work-style reforms, including the realization of The Ideal Group of Talents that share the Three Core Values, and by using this system, we will be able to check our progress and results, and make improvements.

Specifically, we use a group-wide framework to show how our work-style reform initiatives tie into improving our financial and pre-financial corporate value, and then set measurable KPIs. We have set KPIs that are common across the Sompo Group, such as employee engagement indicators, as well as KPIs that are specific to the characteristics of each business.

By monitoring these KPIs, we will check the progress of our initiatives for the Group as a whole and for each business, while also using them to promote employee understanding.

◆The "Productivity KPI System" consists of three layers based on the following approach.

- (1) Set financial and pre-financial KPIs that constitute productivity (Productivity KPIs)
- (2) Drill down to Action KPIs that reflect the results, quantity, and quality of initiatives that lead to improving Productivity KPIs
- (3) Set Work-style Reform KPIs that reflect the effectiveness and progress of work-style reforms that improve the value of Action KPIs



# SOMPO's various capital as a source of competitiveness

## Intellectual capital

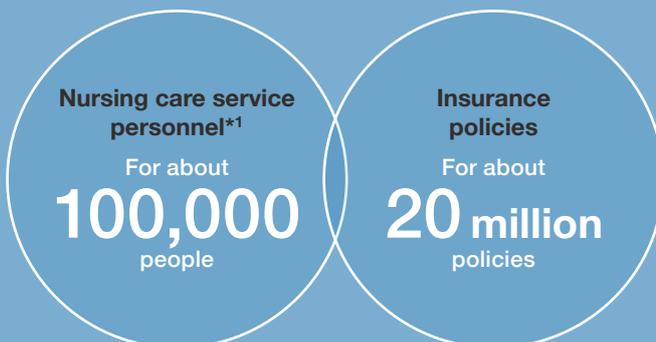


The Sampo Group will work to create new customer value by leveraging its knowledge of cutting-edge technologies obtained from its global Digital Labs and the extensive real data accumulated through its diverse business portfolio.

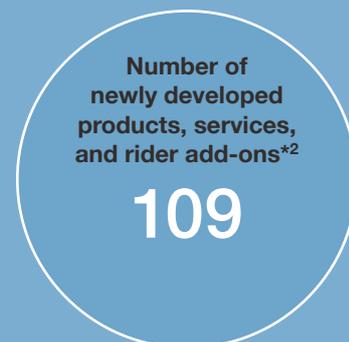
### Digital talent development (target for fiscal 2023)



### Extensive real data accumulated through business



### Development of new products and services that ensure the security, health, and wellbeing of customers



\*1 Total consisting of about 20,000 employees and 80,000 users

\*2 Simple aggregate of the number of products, services, and rider add-ons newly developed by Sampo Japan Insurance Inc. and Sampo Himawari Life Insurance between fiscal 2016 and fiscal 2020

## Initiatives to boost intellectual capital

### Initiatives for leveraging cutting-edge technologies

Since the establishment of the Digital Strategy Planning Department in April 2016, we have been working on transforming existing businesses and creating new businesses by gathering information on cutting-edge technologies and building networks with leading local companies, etc., with the aim of achieving digital transformation (DX) for the entire Sompco Group under the Sompco Digital Lab's three-base structure in Tokyo, Silicon Valley, and Tel Aviv.

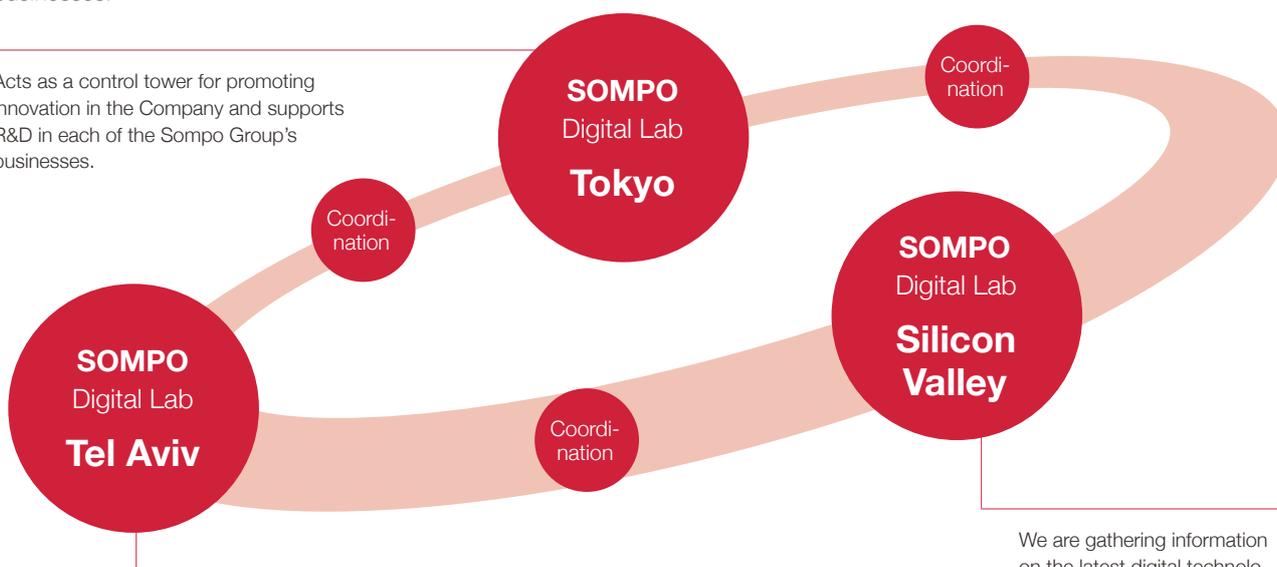
We have been working on incorporating DX into the foundation of our business strategy, marked by our agreement to launch the Real Data Platform for Security, Health and Wellbeing with US-based big data analysis software platform operator Palantir Technologies Inc. in June 2020, followed by our business alliance with ABEJA, which has extensive experience in helping customers implement DX solutions in society, in April 2021.

In addition, we are actively bringing on specialized talent, building a structure of directors and executives consisting of three executives with Koichi Narasaki as Group CDO, followed by Albert Chu as Group Co-CDO, and Hiroshi Omata as Group CDMO. Furthermore, to achieve the goal of "changing people, changing work, and changing the company," within the Sompco Group, we will define the talent needed to promote DX by tier and establish a training system suitable for each tier to effectively develop digital talent and achieve both DX in existing businesses and the creation of new digital businesses.

- 8.2 Improving economic productivity through innovation
- 9.5 Research promotion and technology improvement through innovation
- 17.6 Multi-stakeholder partnership



Acts as a control tower for promoting innovation in the Company and supports R&D in each of the Sompco Group's businesses.



We are gathering information on cutting-edge technologies and building networks, including finding partners to support our customers in areas such as cyber security, healthcare, and mobility.

We are gathering information on the latest digital technologies and building networks with leading local companies.

## Creating innovation through active investment in digital technology

We are proactively conducting PoC (Proof of Concept) experiments and trials related to digital technology, and to date, 55 of 322 PoCs (14 of which are in production development) have been commercialized or turned into actual services at Sompo Group companies.

As for new businesses, we launched an online BtoB auction business in September 2020.

In addition, we are working on rolling out AI to respond quickly and satisfactorily to a variety of inquiries, such as with the introduction of AI speech recognition systems to the claims service offices of Sompo Japan Insurance Inc. We are also introducing services geared at improving operational efficiency, including for automating insurance underwriting, such as the Osiete SOMPO! system, which answers questions sent to the back office from sales branches.

## Large amounts of high-quality real data generated and accumulated from a diverse business portfolio

For the Sompo Group, which has a diverse business portfolio, the large amount of real data with clear sources generated and accumulated through each business is one of the most important forms of intellectual capital that only the Sompo Group holds. For example, at Sompo Care, which is engaged in the nursing care business, about 20,000 employees provide a wide range of nursing care services to about 80,000 users, and the nursing care facilities produce a variety of information on a daily basis, including care plans, vital data, food intake, and employee attendance. Sompo Care is striving to appropriately collect and manage this large volume of data on approximately 100,000 people through the use of digital devices and other means, and is building a system to

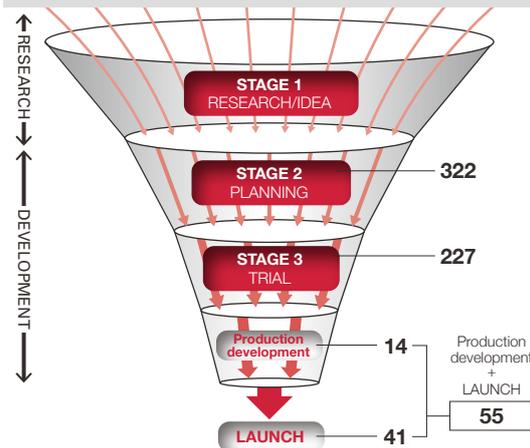
## Started sales of “Nyuin Passport,” a medical insurance policy that covers actual expenses

Sompo Japan Insurance Inc. has been selling the “Nyuin Passport (Healthy Life Support Insurance),” a medical insurance policy that covers actual expenses and pays claims in as little as 30 minutes, since June 2021.

Based on a thorough analysis of customer needs related to hospitalization, this product not only fully compensates for actual medical expenses for unforeseen hospitalizations in the future, but also offers unique coverage features such as hospitalization preparation insurance benefits that can be received prior to hospitalization, as well as the “Choose your level of hospitalization support” offering aimed at alleviating the burden on the hospitalized person and the family taking

- 8.2 Improving economic productivity through innovation
- 9.5 Research promotion and technology improvement through innovation
- 17.6 Multi-stakeholder partnership

### Overview of PoC to date



- 8.2 Improving economic productivity through innovation
- 9.5 Research promotion and technology improvement through innovation
- 17.6 Multi-stakeholder partnership

improve service quality and operational productivity through analysis and utilization based on advanced digital technology. For example, we have installed sleep sensors in the beds in the rooms of our facilities and have started collecting data on the waking and sleeping, breathing, and heart rate of residents, which we were previously unable to measure. By utilizing the collected data, we are working to identify any changes in physical condition early on. Similarly, Sompo Japan Insurance Inc., which operates the Domestic P&C Insurance business, is working to leverage the large amount of real data on accidents and disasters that it has accumulated through the provision of approximately 20 million insurance policies as valuable intellectual capital.

- 8.10 Accessibility to insurance and financial services
- 3.4 Mental health and welfare promotion
- 3.3 Eradication and control of epidemics and infectious diseases

care of the patient. In addition to being able to complete the enrollment procedure in about five minutes by gaining access through a QR code, etc., the insurance claim procedure can be completed in as little as 30 minutes and within 24 hours by taking and sending a picture of the receipt issued by the health facility with a smartphone.

Sompo Japan Insurance Inc. will continue its efforts to provide new insurance services utilizing InsurTech (Insurance + Technology).



# SOMPO's capital as a source of competitiveness

## Natural capital



We aim to contribute to the creation of a green society in which the economy, society, and environment are in harmony, by leveraging our strengths, namely the initiatives and partnerships we have established over the past 30 years to tackle global environmental issues.

### Net zero initiatives

#### Greenhouse gas emissions reduction rate (scopes 1, 2 and 3)

Reduction in  
FY2020

**15.2**%\*1

Target for  
FY2030

**60**%\*1

Target for  
FY2050

**Net zero**  
(including at the  
investment portfolio)

#### Efforts to reduce emissions in the value chain

Reduction in  
paper use in  
FY2020

**25.0**%\*1

Reduction in  
business travel in  
FY2020

**70.7**%\*1

#### Renewable energy introduction rate

Target for  
FY2030

**70**%+

Target for  
FY2050

**100**%

\*1 Compared to FY2017

#### No. of participants in environmental education programs\*2

Participants as of  
end of FY2020

**77,080**  
(cumulative total)

Target for  
FY2021

**11,500**

#### No. of engagements with investment portfolio companies

**Increase  
compared to  
FY2020**

\*2 Cumulative total of the number of participants in the SAVE JAPAN Project (a conservation project to save rare species in Japan) and Open Lectures on the Environment

# Initiatives to Enhance Natural Capital

## Climate-related Financial Disclosure

The world has made a major transition toward a carbon-free society in an effort to achieve the goals of the Paris Agreement, an international agreement on climate change. Climate change affects the global environment in a number of ways, as well as having a major impact on the economy and society, including water and food security, employment, and disparities. We believe the holistic approach found in the SDGs to be important in tackling such a complex issue, like climate change.

The Group has set “Contributing to a greener society

where the economy, society and environment are in harmony” as one of its materiality, key themes for realizing our purpose. In addition to the risk management know-how acquired by our insurance business, and the network with stakeholders we have gained through our environmental efforts over the past 30 years, we will develop a holistic approach to climate change through the SDGs management, which we set as the Group management foundation in our new Mid-Term Management Plan.

### Governance

The Group has established a risk control system based on the Group Basic Policy on ERM set by the Board of Directors, and has defined risks that may have a significant impact on the Group as Material Risks. The Group Chief Risk Officer (CRO) exhaustively identifies and assesses the risks facing each business, regularly reports the status of management to the Managerial Administrative Committee (MAC), the Board of Directors and other bodies, and verifies the effectiveness of countermeasures.

Climate change risks, such as the occurrence of greater-than-expected natural disasters 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. The role of the Group Sustainable Management Committee, which consists of officers of Group companies and is chaired by the Group Chief Sustainability Officer (CSuO), is mainly to discuss measures to respond to opportunities based on materiality and report to the Managerial Administrative Committee (MAC) and the Board of Directors.

### Strategies

Climate change brings not only risks such as the intensification of natural disasters, but also business opportunities such as changes in the industrial structure and new technological innovations caused by the transition to a decarbonized society. The Group is engaged in risk management in our P&C insurance business through stress tests and scenario analysis, and we are also working to provide products and services by considering the various changes associated with climate change to be business opportunities.

#### (1) Response to intensification of natural disasters

- 8.10 Accessibility to insurance and financial services
- 13.1 Adapting to climate change
- 17.16 Multi-stakeholder partnership

The Group’s P&C insurance business has inherent risks of being affected by the intensification of natural disasters resulting from climate change, and we are working on measures including analysis using climate scenarios.

We conduct stress tests for such risks as windstorms and floods and quantitatively assess the financial impact of the stress scenarios that have a material impact on management if materialize, to verify the adequacy of capital and the effectiveness of risk mitigation measures.

Since 2018, we have been conducting large-scale analysis of typhoons and heavy rains using weather and climate big data from the Database for Policy Decision-making for Future Climate Change (d4PDF).<sup>\*1</sup> Based on this analysis, we are working to quantify changes in the average trends of natural

catastrophes and trends in the occurrence of extreme weather events under climate conditions when temperatures rise by 2°C and 4°C over the medium- to long-term.

In the future, we will continue to analyze the impact of climate change using the scenario analysis framework prepared by the Network for Greening the Financial System (NGFS), which studies financial supervisory response to climate change risks.

The Group participates in the Task Force on Climate-related Financial Disclosures (TCFD) insurance working group of the United Nations Environment Programme Finance Initiative (UNEP FI). We are also estimating the impact of typhoons using a simple quantitative model<sup>\*2</sup> based on the comprehensive guidance published by the working group in January 2021.

#### <Estimate Results>

Frequency of typhoons	approx. -30% to +30%
Damage per typhoon	approx. +10% to +50%

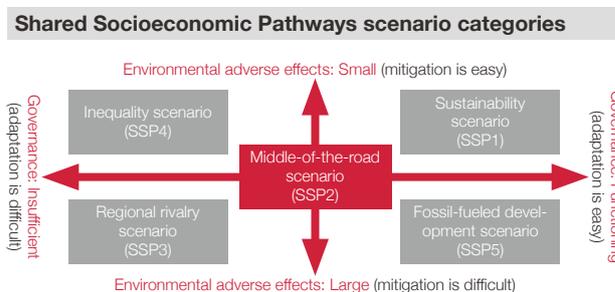
<sup>\*1</sup> The Database for Policy Decision-making for Future Climate Change was developed by the Program for Risk Information on Climate Change of the Japan’s Ministry of Education, Culture, Sports, Science and Technology. By utilizing a number of experimental examples (ensemble), future changes in extreme events such as typhoons and heavy rains can be evaluated stochastically and with higher accuracy, enabling more reliable conclusions to be drawn on the impact on future society of natural catastrophes caused by climate change.

<sup>\*2</sup> Model that captures the changes in the frequency and wind speed of typhoons between now and 2050 based on the RCP8.5 scenario of the Intergovernmental Panel on Climate Change (IPCC) and calculates changes in the frequency and amount of economic damage caused.

## Climate-related Financial Disclosure

### (2) Response to climate change business opportunities

In the Group's new Mid-Term Management Plan, we state that we aim to realize a "carbon neutral society where people and nature are in harmony," through "adaption" to and "mitigation" of climate change and "contribution to societal transformation," which are set as SOMPO Climate Action. We are undertaking various initiatives based on scenarios such as the IPCC's Shared Socioeconomic Pathways (SSP).



#### [Action 1] Initiatives to adapt to climate change

13.1	Adapting to climate change	8.10	Accessibility to insurance and financial services
2.4	Resilient agriculture		

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, natural catastrophes become more severe, investment in infrastructure is insufficient, and social vulnerability increases. In such a society, the need to adapt to increase resilience to climate change is expected to increase. The Group is working to provide products and services that contribute to adaptation by utilizing the knowledge and know-how of our insurance and related businesses.

#### ■ Expanding climate risk consulting business

Since 2018, Sompo Risk Management has been participating in the Japan's Ministry of Education, Culture, Sports, Science and Technology's Social Implementation Program on Climate Change Adaptation Technology (SI-CAT). The company utilizes a database that projects the climates that would result from global warming with temperature increases of 2°C and 4°C and exchanges opinions with research institutions. The company is also working to expand profits from its risk consulting business by using the know-how relating to natural catastrophe risk assessment models and the disclosure of climate-related information it has accumulated through such initiatives.

#### ■ Agricultural insurance field initiatives

Sompo International, our core intermediate holding company in the overseas insurance business, launched AgriSompo, an integrated brand in the agricultural insurance field in 2017. AgriSompo is expanding its business to South America and Asia in addition to Europe and North America, thereby aiming to contribute to a sustainable food supply system.

In addition, following research and development conducted in collaboration with the Japan Bank for International Cooperation (JBIC) and other bodies, Sompo Japan and Sompo Risk Management launched weather-indexing insurance in Southeast Asia in 2010. Following on from this, a product targeting longan farmers in Thailand was launched in 2019 and a product targeting sugarcane farmers was launched in 2021. These products help reduce the risks associated with the need for farmers to adapt to natural disaster risks such as windstorms, floods and droughts. In 2015, it was certified as a Business Call to Action initiative (BCtA)\*3, as an initiative to achieve both business activities and sustainable development.



\*3 Initiative led by the United Nations Development Programme (UNDP) that aims to promote the establishment of business models that achieve both business activities and sustainable development.

#### [Action 2] Initiatives to mitigate climate change

7.2	Expanding renewable energy share	13.2	Climate change countermeasures
17.16	Multi-stakeholder partnership		

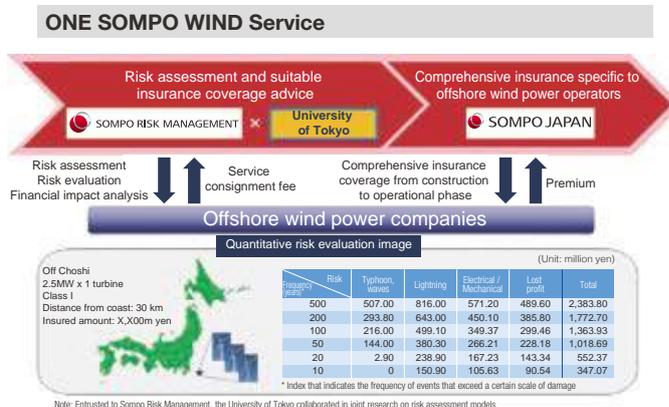
In Sustainability (SSP1) scenario, which harmonizes the environment and the economy, a certain level of economic development underpins the effective implementation of climate action, renewable energy and new technological development progresses, and new insurance needs are expected to increase. The Group advances initiatives to reduce its greenhouse gas emissions and contribute to mitigation of climate change by encouraging switching to and expanding the use of renewable energy.

#### ■ Group initiatives to achieve net zero greenhouse gas emissions

In April 2021, we announced a greenhouse gas emission reduction policy, which aims to achieve net zero by 2050. We are working toward a goal of 60% reduction in 2030 (compared to 2017) by promoting measures such as switching to renewable energy as a source of electricity used by the Group. We are also undertaking initiatives to reduce emissions in collaboration with stakeholders, aiming for net zero emissions in the value chain, including at investment portfolio companies.

**ONE SOMPO WIND Services for wind power generation companies**

In addition to providing P&C insurance products, we capitalize on the know-how acquired through joint research with universities, research institutions, and other stakeholders to roll out a risk management service that comprehensively covers the value chains of wind power generation businesses. The service targets all phases of wind power generation projects, from project formation and operational start-up through to subsequent removal or replacement.



**[Action 3] Contribution to societal transformation**

- 17.16 Multi-stakeholder partnership
- 7.a Promoting renewable energy development
- 13.3 Raising awareness of the need to adapt to and mitigate climate change

**Identifying businesses and sectors that adversely affect the environment and society to utilize the results in insuring, investing and financing**

The Group identifies businesses and sectors that may adversely affect the environment and society through the destruction of nature and human rights violations, and is building a database through dialogue with stakeholders and our own unique analysis for use in insuring and in investment and financing decisions.

**Insuring, investment and financing restriction policy for coal-fired power plants (first among P&C insurance companies in Japan)**

In September 2020, Sompo Japan announced that it would be the first P&C insurance company in Japan not to insure, invest or finance the construction of new coal-fired power plants, which are feared to accelerate climate change. We believe dialogue with stakeholders to be an important opportunity to develop the Group’s business and so, going forward, we will continue to grasp the expectations and demands on the Group through such dialogue, and contribute to societal transformation by promoting initiatives to decarbonize the industry.

**ESG initiatives by Sompo Asset Management**

Sompo Asset Management participates in Climate Action 100+, an initiative led by institutional investors that collaboratively promotes engagement activities, and actively encourages investment portfolio companies to reduce greenhouse gas emissions and prepare long-term plans. In September 2017, the company became a signatory to the Montréal Carbon Pledge, which is overseen by the Principles for Responsible Investment (PRI). The company regularly calculates and discloses greenhouse gas emissions per 10,000 beneficial interest units of the Japan Value Equity Sustainable fund, which is focused on long-term investment, overall fund emissions and the weighted average carbon intensity of the fund.



**Thirty years of environmental education initiatives**

Since establishing a Department of Global Environment in 1992, the Group has understood the importance of spontaneous action by individuals to address climate change and other global environmental issues, and we are continuously working to develop environmental personnel through collaboration with civil society organizations.

**Metrics and Targets**

The Group has set the following KPIs to assess ongoing efforts to “contribute to a greener society where the economy, society and environment are in harmony.”

Main KPIs	
Greenhouse gas emissions reduction rate aiming for net zero by 2050	60% reduction (Target for FY2030)
Renewable energy introduction rate	more than 70% (Target for FY2030)
No. of engagements with investment portfolio companies	Increase compared to FY2020
No. of participants in environmental education programs	11,500 (Target for FY2021)