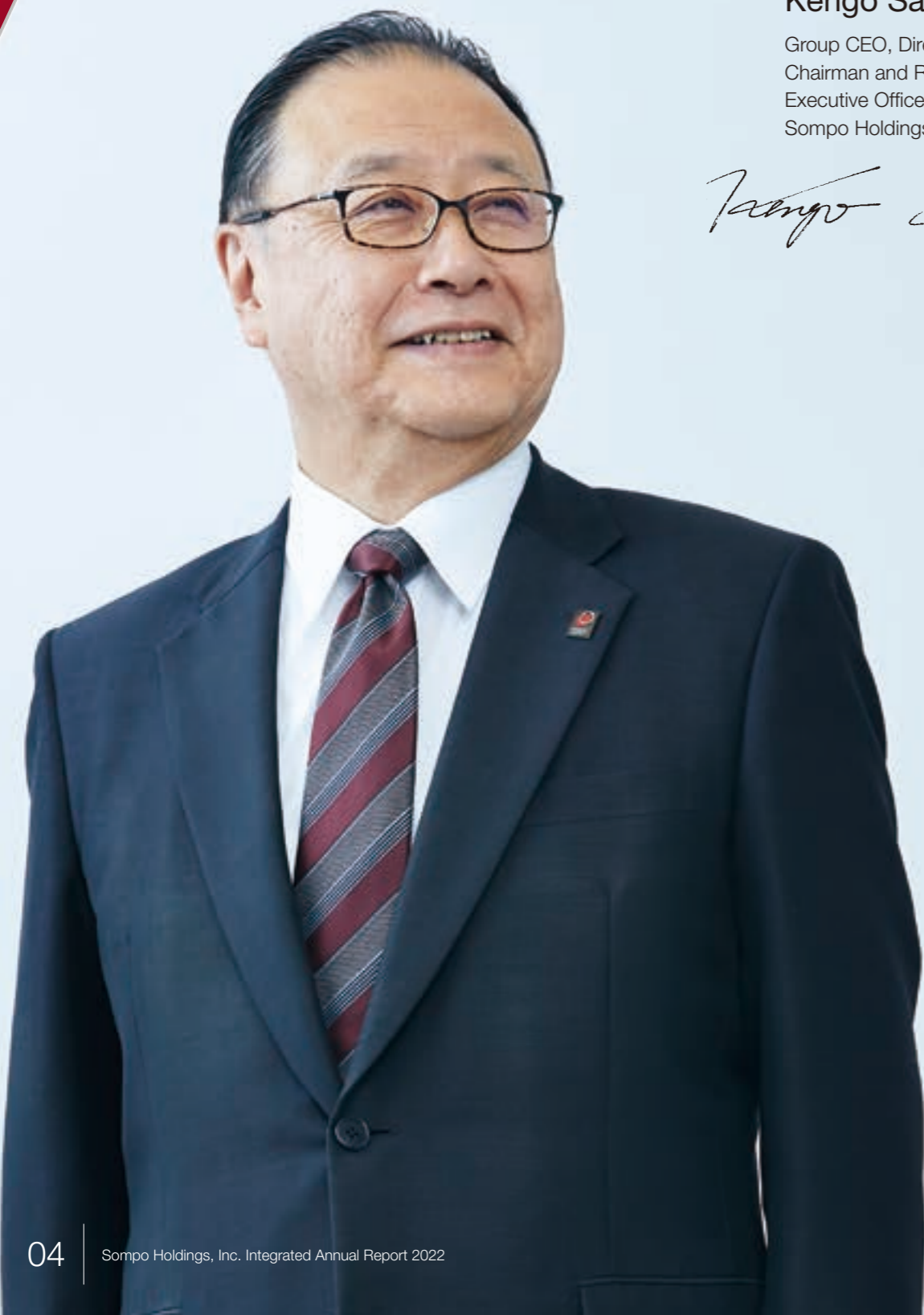
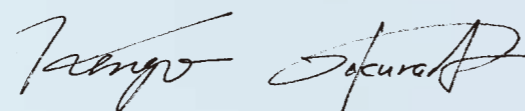


A Message from the Group CEO

SOMPO's way of growth by aligning corporate and employees' purposes: Toward an ideal society and improving corporate value

Kengo Sakurada

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



1. Introduction

The world is facing many challenges. Recently, Russia's invasion of Ukraine led to soaring resource and energy prices around the world, food security crises, acceleration of inflation in the US and other countries, fluctuations in interest rates and exchange rates, etc. that continue to affect businesses and people's lives. Japan is not immune, and abnormal weather and natural disasters threaten the safety of people in their daily lives, while we must remain vigilant against the spread of COVID-19.

In an age of division where self-interests clash, while facing various challenges, I have to say that it is extremely hard to make the right choices for the future and build a consensus in society. I think the only way to overcome this is to apply the multistakeholder principle, that is, various stakeholders in society seek consensus by overcoming their differences in positions and interests.

And I believe that Japan indeed has the upper hand over other countries in practicing this multistakeholder principle. The spirit of altruism is the key, as unselfish concern for others and the world eventually brings advantages for individuals. These values were presented in Inazo Nitobe's *Bushido: The Soul of Japan* and revered Eiichi Shibusawa's *Rongo and Soroban* (Analects of Confucius and the Abacus). In my view, Japanese spirituality that values the golden mean and social harmony as well as our rich culture and traditions will nurture the characteristics and practical wisdom, and become strengths of Japan. This also relates to the SDGs and climate action toward Carbon-free society, which have become increasingly important in discussions among world leaders and in business management in recent years.

On the other hand, I am concerned about the possibility of Japan descending into a weak country in the world as a result of the prolonged stagnation over the past 30 years. We can lose no time in addressing demographic change as well as low birthrate and population aging in Japan, and cannot turn our eyes away from the reality of being a country facing advanced challenges. Under such circumstances, however, SOMPO has taken on challenges to realize "A Theme Park for Security, Health & Wellbeing" primarily in insurance and nursing care. SOMPO posted record high profits in FY2021, which is a proof that SOMPO can be expected to grow steadily even in the age of VUCA. The Sompo Group will continue to grow by believing that the story written by SOMPO will prove correct and by presenting the image after completion along with how SOMPO will contribute and what kind of future society we will create for Japan and the world.

2. SOMPO's Purpose and the Group Growth Story

(1) "SOMPO's Purpose" that Became a Common Language of the Group

Sompo Holdings agreed with all Group companies to place *SOMPO's Purpose* at the core of business management and has made efforts to instill it in each and every employee. At the same time, noting the importance of "My Purpose", we held townhall meetings for multiple times, and I personally spoke with a total of over 10,000 Sompo Group employees.

I reconfirmed, after spending much time, that **a fusion of SOMPO's Purpose with My Purpose is crucial for business management, and there is no hope for growth without this**. In an environment full of diversity and inclusion (D&I) that respects a wide variety of each employee's "My Purpose", employees driven by their own "My Purpose" keep taking on challenges in their own way to deliver *SOMPO's Purpose*. This is exactly what drives SOMPO's growth, and we will create innovation that helps address social challenges through existing businesses, such as insurance and nursing care, and new value creation, primarily with the Real Data Platform (RDP), described below. This is the ideal state of value creation in SOMPO's way and SOMPO's growth story towards delivering purpose.

The starting point for this story is the purpose of each employee. Everything starts from the employees believing in the importance of their purpose and practicing deep self-inquiry to come up with "My Purpose" without using someone else's ideas, and then expanding the circle throughout the Group. We will get everyone on board to large ship of SOMPO that goes beyond the boundaries of nations and organizations, and work together towards the ideal society.

I have had many discussions on the topic of co-creation of society by Seikatsusha (Citizens), with the next generation, young business leaders, media, and academic experts through my involvement in the Japan Association of Corporate Executives (Keizai Doyukai), etc. Seikatsusha (Citizens) are consumers, and used here in a broad sense that includes all workers, individuals, companies, and government agencies. The main topic is how to create a society in which each Seikatsusha (Citizen) makes various choices and takes actions from a subjective viewpoint in accordance with purpose, and pursues qualitative growth as a group to realize the greatest happiness of the greatest number of all stakeholders. We still need to broaden our minds, but SOMPO aims to become a trailblazer for accomplishing this goal.

(2) SOMPO's Culture and Drivers Spurred by "My Purpose"

At the town hall meetings I held, employees talked frankly about their own experience and "My Purpose" drawn from it. One employee said, "I learned the importance of money from my experience of childhood poverty and that lesson is now applied to my work in life insurance," while another employee said, "I overcame an adverse childhood experience by working in nursing care, and truly felt the importance of trusting other people and being trusted by others, and now nursing care is my life."

Employees who work on "My Purpose" think and act by themselves driven by intrinsic motivation, which should result in higher employee engagement. Also, **intrinsic motivation and strong sense of ownership arising from "My Purpose" would be the source of greater productivity, expertise, creativity, etc. at work.**

SOMPO has 130 years of history as an insurance company and tradition of the founding business. The trust of customers built over many years through our willingness to "protect customers at all costs", our ambition of founding, responsibility of living up to this, and the spirit of offering genuine "security" and "warmth" will continue to lie at the core of the Group as SOMPO's DNA. I hope that a fusion of this strong DNA with employees driven by "My Purpose" will create amazing chemical reactions in SOMPO.

It may be generally thought that it is hard to link the individual's purpose with the company's purpose in a large organization. However, if "My Purpose" takes the lead in the company with an increasing number of employees thinking that they want to fulfill "My Purpose" by using the company, an instrument to accomplish what is difficult on their own by working together as a team and a company, behavior will change dramatically and the corporate culture will also change.

D&I (diversity and inclusion) is essential for underpinning and accelerating such cultural change. At SOMPO, employees with various background are working at the frontline of a variety of businesses worldwide. Regardless of which business one works in, everyone is invited to participate in the townhall meetings, while training programs and courses are held for employees across businesses. We set up an office of Sompo International in the main office building in Tokyo so that members can be based there on a regular basis. I believe SOMPO can become stronger by actively hiring and promoting employees who can produce results by merging "My Purpose" with their own work and by grasping various opportunities, regardless of sex, age, and nationality. SOMPO will strengthen our human capital, the driver of value creation, through a strategy to improve the quality of business management by raising intrinsic motivation of employees, increasing opportunities for challenges and innovation, and by creating energy in the workplace.

3. SOMPO's Strategy for Improving Corporate Value

(1) Room for Improving SOMPO's Corporate Value Demonstrated by Unrealized Financial Value

Sompo Holdings announced a new medium-term management plan in 2021. Our core strategies under this plan are to increase our scale and diversify risks (primarily in the existing businesses), create new customer value, and promote new work style. We will execute strategies from the viewpoints of and to meet expectations of customers and users, not of a service provider, and implement measures that increase employee satisfaction and productivity at work. We need to work to accomplish a digital transformation (DX) and realize Group synergies strategically by employing a complete hands-on approach and recognizing that **we cannot move ahead by maintaining the status quo.**

However, the outcome of such efforts is evaluated in the market mainly in terms of financial value which is generally regarded as corporate value. I presume that many firms feel the same and it is not only SOMPO but the value of a company must be mediated by "something" that is hard to quantify. I think that a story unique to our Company as well as the existence of evidence as proof are related to the answer to this question.

Contribution to addressing social challenges and realization of wellbeing are essential elements of a story that helps increase corporate value. SOMPO will try to accomplish this by presenting a value creation story "unique to SOMPO" that is "A Theme Park for Security, Health & Wellbeing" for multi-stakeholders and continuing transformation to realize this. To accomplish this, we partnered with Palantir Technologies Inc. of the U.S. and the National Institute of Advanced Industrial Science and Technology (AIST), one the largest public research institute in Japan.

We will build strong trust that "SOMPO can do it" by tapping into the wisdom from in and outside the Group so that the social impact and evidence can be presented, not just enthusiasm or vague definition, **and increase SOMPO's corporate value and brand.** This is my mission as the Group CEO, relegated by all shareholders and the board of directors, so I am strongly committed to accomplishing this by all means.

(2) Nursing Care RDP that Transforms Society

I would like to first successfully put the Real Data Platform (RDP) in the nursing care business into practical use to enhance SOMPO's corporate value. Shortage of caregivers due to low birthrate and population aging and surging social security expenses are real problems and almost a national crisis that we cannot escape.

SOMPO is determined to tackle these critical challenges head on. We will use real data collected from the nursing care front line to deliver "visible nursing care" to support the frontline. Moreover, we will develop solutions to improve the quality of nursing care under the concept of "systematization of mastery" and **also deliver "predictable nursing care" to support the people "providing care" which is estimated to be around 2.3 million people.** If this know-how can be shared with all other care providers, it should have an enormous impact on society in the future. We will improve the quality of life (QOL) and build a platform for approximately 7,000 companies so that everyone can live a prosperous 100-year life. While the nursing care RDP is currently being developed for release, I believe that the future will be changed for the better, and await with great anticipation that day.

The issues in nursing care are enormous and cannot be solved without the help of various stakeholders. It is necessary to establish an at-home care model: through the combined efforts of the government, public and private sectors by also cooperating with the national and local governments, and integrate services (covered and uncovered) by public long-term insurance in the future. Other countries in the world may face the same issues in the future. **We want to create a large ecosystem for people's happiness by getting all stakeholders involved with a view to exporting the solutions developed by SOMPO in Japan to other countries.**

4. SOMPO's Mechanism Underpinning Sustainable Growth

It is crucial to establish a sustainable business management framework to support society over the next 20 or 50 years. Five Business CEOs and nine Group CxOs are currently in charge of business execution at SOMPO. The Business CEOs, as leaders, increase the attractiveness of the business as the leader, and drive the growth and expansion of the Group by exerting "centrifugal force". The Group CxO coordinates efforts across businesses by exerting "centripetal force" of the Group and implements plans so that Group-wide strategies are executed without fail. The Group COO and myself, the Group CEO, oversee the entire Group.

These members are selected following the appointment and endorsement by the board of directors. **Sompo Holdings became a company with committees in 2019 based on the notion that rigorous governance is indispensable for sound growth,** and the board of directors supervises business execution with 10 out of 14 members being non-executive directors. On April 1, 2022, Mikio Okumura, Giichi Shirakawa, and Ken Endo were newly appointed as the Group COO, CEO of Domestic P&C Insurance Business, and the CEO of Nursing Care & Seniors Business, respectively. All



three members were approved by the Nomination Committee comprised only of non-executive directors in accordance with the succession plan, and I am sure they will provide strong leadership in their respective businesses.

Mr. Okumura, the Group COO, who has a good track record in a wide range of business areas is the right person to be in charge of many areas of business execution, and was nominated to and approved by the Nomination Committee as the new President and Representative Executive Officer to lead the realization of "A Theme Park for Security, Health & Wellbeing" with a view to becoming the Group CEO in the future. The duties will be divided between Mr. Okumura who will practically be in charge of the insurance business (Domestic P&C Insurance, Overseas Insurance and Reinsurance, and Domestic Life Insurance) in particular, and lead efforts to the achievement of the goals of the current Mid-Term Management Plan, and myself while I will continue to be in charge of priorities related to the strategic challenges for the whole Group, including nursing care, digital, and large M&A, as the Group CEO of Sompo Group. Under the new management framework, we will work as one to accomplish the Mid-Term Management Plan over the remaining two years as a must.

5. Conclusion

I wanted to become strong and cool when I was a child. However, I came across the quote "think more about others and less about yourself" in the great swordsman Musashi Miyamoto's "Dokkodo" and realized that I cannot obtain true strength if I think only about myself and the spirit of trying hard for others is what matters most.

Since then, I have had various encounters and experiences, came to lead a large corporate group, and set the Group's Purpose to "create a society in which every person can live a healthy, prosperous, and happy life in one's own way with a Theme Park for Security, Health & Wellbeing" last year. My purpose is to utilize real data, reduce traffic accidents, disasters, and the risk of illness, make our daily lives safer and more secure, and help people live healthier lives.

I would like to fulfill my responsibility to drive the Group's growth and create a better society to pass on the baton to young people and next generation who have the right to choose the future.

A Message from the Group COO



Mission of the Group COO Leading SOMPO: Passing on to the next generation a society that ensures security, health, and wellbeing

Mikio Okumura

Group COO, Director,
President and Representative
Executive Officer

1. What I Value Most

I am Mikio Okumura and I took up the position of Group COO, President and Representative Executive Director in April. First, I would like to talk about the most important thing and my mission as the Group COO of Sompo Holdings, Inc.

When I reflect on my journey so far, I feel that life is full of encounters and unimaginable experiences, each with a profound meaning, and that luck and connections can bring success. So, what I value most are the encounters I have had and the connections that I have made with people. I am improving myself to be able to build long-term connections, look at things from the other person's viewpoint, and always think about what I can offer.

I think that connections are not only part of personal networks, such as friendships, but also the timeless "connections" between us living now and future generations. To use an analogy, it is like a relay race. I want to forge ahead on my leg of the race with a willingness to bet my life on it, then pass the baton to the next generation in the best possible way. I have enjoyed my life so far, and would like to pass on to the next generation a society where everyone can enjoy their life too.

2. Mission as the Group COO

I believe that the major challenges we must address before passing the baton to the next generation and later generations are demographics and climate change. These are exactly the social challenges that SOMPO must address. These challenges are hard to address in such a short time, but it is crucial to do everything we can while we are alive—even more so because we are living in difficult times. Therefore, the role of SOMPO is to pass on to the next generation a sustainable society that ensures security, health, and wellbeing.

To make this happen, SOMPO needs to embrace diversity, ever-changing customer needs, and social challenges, then deliver solutions to address them. The key phrase is "connecting, making connections, and being connected." Our goal is to develop solutions by building connections among the business units of SOMPO, our business partners, local communities, and data, not just people and society. We need to be with customers on their journeys and use the data we obtain to develop solutions that can meet even deeper needs.

To accomplish our goals, we must evolve into a corporate group that can deliver solutions for ever-changing and increasingly diverse customer requirements and social challenges.

The important elements for delivering solutions are diversity and inclusion (D&I) as well as a corporate culture that supports new challenges.

I have a sense of urgency that D&I is essential for companies to survive. This is because companies can make bad management decisions when employees do not have a wide range of experience and values. In a standardized workplace, employees cannot understand what is happening in the world, what the customers think about SOMPO and business, and fully understand customers' needs. In this sense, our biggest hurdle to overcome is understanding our ever-changing customers, not our competitors. The value of customer experience (CX) has increased dramatically due to the entry into the insurance industry of companies from different industries and start-ups. This includes being able to buy insurance with just a few taps on a smartphone. Since customer expectations are evolving, we cannot meet their expectations if we are satisfied with past improvements and we continue to operate as a traditional insurer or financial institution. I am not glossing this over; D&I is very important in business management. All executives and employees should ask themselves why D&I is important, or more simply put, why it is not enough to just have "men in suits." We must work hard to promote D&I, not just treat it as a formality.

Next is corporate culture. I worked for another company in the past and think it is important to see ourselves and our company objectively from the outside. In fact, I was able to see the culture of the Sompo Group very clearly. Every employee at SOMPO has worked diligently and we now have a corporate culture built up over more than 130 years that is characterized by stability and trust, as well as a solid business foundation and connections with our customers. However, I have serious concern that just like the Japanese economy that failed to grow over the past three decades even though everyone worked hard, SOMPO might devolve and decline if we just continue to work in the same way. This is why we need to take on new challenges. Being complacent could become an obstacle. We are entering into the unknown of population decline where conventional wisdom and past successes do not apply. This could be possible for Japan as a whole, but the challenge for SOMPO is to put past successes behind us and change the corporate culture so that employees can take on new challenges without hesitating, something that we need to seriously work on.

As the Group COO of the Sompo Group, I will take up this challenge and work hard to foster a corporate culture where employees seriously consider why something could not

be accomplished, then take on new challenges without fear, praise each other's success, learn from one another, and give honest opinions. Therefore, my mission as the Group COO is to deliver solutions as a partner in our customers' lives, work on D&I to make this possible, and create a culture of openness with a vibrant workplace that supports new challenges.

3. Creating a Conglomerate Premium

A hundred days have passed since I took up the position of Group COO. Whichever business unit I look at, as anticipated, SOMPO is a corporate group where employees work hard and honestly with customers. For example, when an earthquake struck in March this year in Fukushima Prefecture, safety reports of the customers, agencies, and employees started to come in one after another immediately, even before the executives gave instructions. I believe this is because quick action to deal with disasters, etc. is part of our corporate DNA. I was reminded once again of the strength of our abilities, when I saw employees taking action to help those affected by the disaster recover as quickly as possible.

As a result of these strong frontline actions and the hard work of every employee, good progress has been made on the Medium-Term Management Plan. For example, in FY2021, SOMPO posted record profits for a second consecutive year. However, these results were also affected by one-off positive factors, such as lower auto insurance losses due to fewer people driving and less traffic volume following the spread of COVID-19 as well as higher-than-expected investment income due to a strong stock market. So, I always try to stay calm and evaluate the real earnings after eliminating any unique or temporary factors.

When setting goals for FY2022, we removed the effects of the one-off positive factors in FY2021 and discussed many times with our staff how far the level of performance had actually progressed. And we currently expect real earnings in FY2022 to reach a level equivalent to FY2021. Now that our businesses are performing well, we must remain vigilant, keep our head clear, accurately grasp changes in society, and think about the next moves. We need to keep asking ourselves whether we are fully aware of the impact on our lives and businesses of global warming and population decline as well as well as the continually changing needs of our customers and society.



We must continue to ask ourselves if we are becoming insensitive to social changes and the need for a response. If we become complacent about our strong financial performance and fail to notice changes with our customers, they will eventually give up on us, and we will be unable to grow. So, we need to boost our resilience and achieve sustainable growth to meet customer needs and fulfill our role in society. To overcome our challenges, we need to focus not only on our current business plan, but also on medium- and long-term initiatives for the future.

The Group is now working to create a conglomerate premium based on the “Group Best” concept. We intend to transform into a “Theme Park for Security, Health & Wellbeing” and to reform governance to support this transformation. We need to increase the “centripetal force” of the Group and take risks rationally using the “Group Best” concept to continue to grow. Simply put, we will take risks on the basis of what each company should do if we were a single company, rather than a group of companies.

We will focus on three areas of the insurance business where we expect to reap benefits and where we can have a

positive impact early on: retention & cession”, “investment”, and multinational business.

To capitalize on these three areas, under the Group Best concept, it is necessary to design systems in detail, not only for our ideals, but also systems for the organizational structure, evaluations, and other details. Therefore, a steering committee for which I am responsible was set up under the Global Executive Committee which is the advisory board for the Group CEO and the highest level of the executive Committee. A framework was established for the Business CEOs to participate and the working groups of the aforementioned three areas to exhaustively pursue the Group Best concept. We will then incorporate their findings into additional initiatives and actions to generate higher profits. I think an insurance group that truly created a conglomerate premium is rare around the world. We are committed to delivering results that will be highly appreciated by our stakeholders.

My take on a conglomerate premium is that we create more value than a simple summing up, such as $1 + 1 + 1$ equals 3, by linking all business units as a single company using the Group Best concept as represented by the keywords connecting, making connections and being connected. We will deliver new services and solutions that help to create a society that ensures security, health, and wellbeing by using SOMPO’s world-class data, and by listening to the voices of customers (VOC) on the world’s leading seniors market to develop non-life and life insurance solutions.

4. Conclusion

We have so far focused on medium- to long-term strategies, but all SOMPO employees will work hard to accomplish the Medium-Term Management Plan, with only two years remaining. I am committed to transforming SOMPO into a corporate group where diverse talent can shine in a vibrant workplace and take on new challenges without fear of failure, as well as to pass on the baton to the next generation by helping to ensure security, health, and wellbeing by delivering solutions that meet our customers’ needs. We look forward to your continuing support.

My Own Experience: Connections that began in Brazil

I grew up in Saitama Prefecture where soccer is popular, so my childhood and adolescence were dedicated to soccer. When I was at university, I studied abroad in Brazil, the “kingdom of soccer,” and my experience there had a huge impact on my values. In Brazil at the time, about 1.5 million people of Japanese descent lived there, forming a large community. I was impressed by the legacy that the Japanese community had on the other side of the world. Trust in Japan and the Japanese people had been built in Brazil. I was treated with respect as a 20-year-old Japanese in Brazil. Through this experience, I came to think that I wanted to “give back to Brazil” and “connect Japan and Brazil.” I became strongly aware of the need to connect people to people and countries to countries. Later on, I joined Yasuda Fire and Marine Insurance Co., Ltd. (currently, SOMPO Japan Insurance Co., Ltd.) which had a Brazilian operation at that time, after working as a part-time Portuguese interpreter.

After joining the company, I worked in corporate sales, corporate planning, management of the overseas subsidiary, and management of the nursing care business, after changing jobs. I had several experiences under the guidance of my seniors, and I would like to share some my experiences when I was working in New York from 2000.

At that time, our US subsidiary was struggling and I was working hard every day to turn this around. I was assigned to the New York office on September 11, 2001, where I saw the terrorist attacks by hijacked aircraft. I still vividly remember the sight of an jet crashing into the World Trade Center, where I used to work every day, and a mass of bright red flame shooting out. I ran from the building and managed to escape safely the turmoil, chaos, and clouds of smoke. I could have

lost my life if something went wrong. Since then, I have come to believe that I am alive for a reason, and I am strongly conscious of working hard every moment so that I will not regret anything.

Later on, after I was able to get the management of the US subsidiary back on track, I returned to Japan and was assigned to the Corporate Planning Department. I asserted the need to strengthen the overseas business since I believed that the overseas market would drive the Group’s growth in light of the trends in global and Japanese demographics. However, the decision made by the then management team was to focus on the domestic business, so my wish did not come true. I was disheartened, lamented my lack of power, and decided to work for another company to take on a new challenge. I worked for a foreign financial institution and faced a big challenge again during the financial crisis of 2007–2008 stemming from the subprime mortgage market meltdown in September 2007.

There were twists and turns, but I returned to SOMPO later on, just as I was meant to. This led to a “connection” with Brazil. Following a change of SOMPO’s management, a plan to focus on overseas business was announced. As the first step, SOMPO decided to acquire an insurance company in Brazil in 2009 and my seniors contacted me, so I decided to return. After returning to SOMPO, as a member of the local management team, I jumped in and worked hard to help grow the business of the acquired company.

I feel that life is full of “luck and connections,” just as my connection with SOMPO was Brazil. I am grateful for the many encounters that helped me, and I will continue to cherish the “connections” with people as I move forward with my life.