

Strategy/Capital

Fiscal 2021 marked the first year in the three-year Mid-Term Management Plan to realize SOMPO's Purpose, and through the efforts of the entire Group, it began with record profits for the second year in a row.

Each business in the Group will continue to drive the Value Creation Cycle, implement the three basic strategies at the heart of the Plan – scale and diversification, new customer value creation, and new work styles – and bring to life our “Theme Park for Security, Health & Wellbeing.”

A Message from the Group CFO/CSO

By allocation of management resource for a establishment of the resilient business portfolio and sustainable growth, we are aiming for the realization of SOMPO's Purpose and development of its corporate value.

Group CFO/Group CSO
Masahiro Hamada

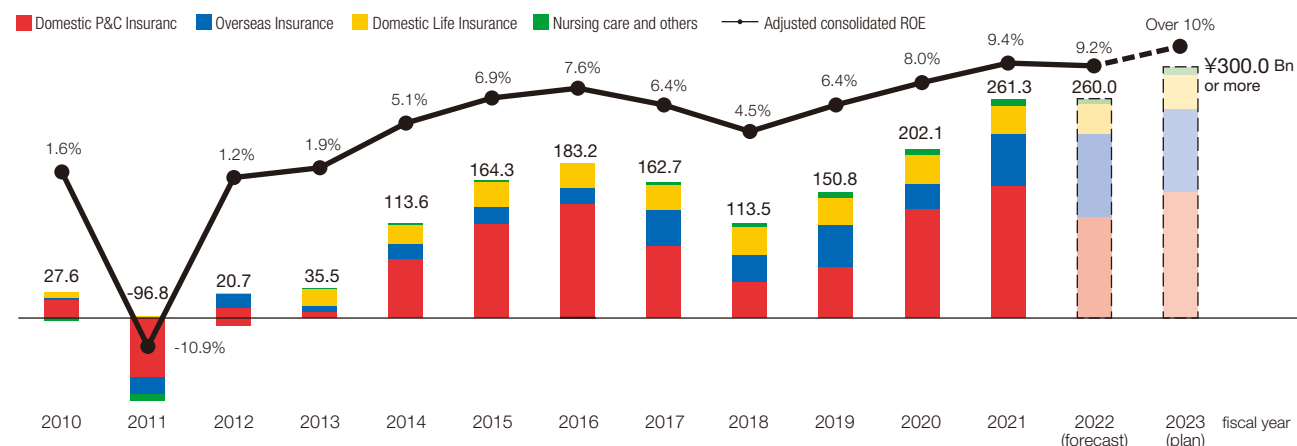


The external environment in which we operate just seems like VUCA where the future is unpredictable. New social challenges became apparent while customer values and needs have changed dramatically. SOMPO's Purpose is to “create a society in which every person can live a healthy, prosperous and happy life in one's own way with a Theme Park for Security, Health & Wellbeing” which lies at the core of business management. My mission as the Group CFO and CSO is to fulfill SOMPO's Purpose and enhance enterprise value by building a resilient business portfolio to adapt to such changes in the business environment, and balancing “defensive” initiatives, such as ensuring financial soundness, and “offensive” initiatives, such as allocating resources to ensure the Group's sustainable growth even in the age of VUCA.

When I reflect on the ten years since NKSJ Holdings, Inc. (current Sompo Holdings, Inc.) was founded in 2010, we have successfully and dramatically transformed the revenue base and business portfolio. First, the two domestic P&C insurance subsidiaries, our core business, were gradually integrated and made more profitable, and as a result of the merger in September 2014, a core Group company and one of the largest P&C insurer in Japan was created. Sompo Japan Insurance Inc. which generates stable cash flow and has a solid business foundation, reviewed its pricing strategy, dramatically improved profitability through earnings structure reform, such as productivity improvement by utilizing digital technologies, and continues to evolve. We also expanded the overseas insurance business to address challenges, such as Japan's population decline, low birthrate and population aging, and natural disasters, and to increase geographical and risk diversification of the business portfolio with too much weight on domestic P&C insurance, entered into the nursing care business, and worked aggressively on the utilization of digital technologies. In the overseas insurance business, we expanded into fast-growing emerging countries, including Turkey, Malaysia, and Brazil, and successfully completed large M&As

in developed countries, including UK-based Canopus Group in 2014 and Bermuda-based Endurance Specialty Holdings Ltd. (current Sompo International Holdings Ltd.) in 2017, to expand into specialty insurance, etc. where higher profits and growth were expected, and the business size increased by leaps and bounds. We also built a global platform by reorganizing subsidiaries in the overseas insurance business and established a robust business foundation by enhancing governance. In other business areas, we made a full entry into the nursing care business in FY2015, implemented a series of measures to improve service quality and productivity, and materially expanded the fields where SOMPO delivers value. Furthermore, we worked on creating new businesses, including the establishment of “SOMPO Digital Lab” in Tokyo, Silicon Valley, and Tel Aviv as one of the early adopters of digital technologies in Japan, and steady enhancement of framework as a data solution provider by partnering with U.S.-based Palantir Technologies Inc. that has the best data analytics capability in the world. We diversified and ensured stability of the revenue base by honing our competitive edge in each business while allocating resources boldly across the group. As a result, adjusted consolidated profit increased from JPY27.6 billion in FY2010 to JPY202.1 billion in FY2020, the highest ever at that time, while adjusted consolidated ROE rose from 1.6% in FY2010 to 8.0% in FY2020 as big advances were made. In just 10 years since founding, Sompo Holdings accomplished such transformation, strengthened business foundation, accumulated capital, and paved the way for the group to grow substantially and accelerate the realization of “A Theme Park for Security, Health & Wellbeing.”

To continue on the growth path in the 2010s, we are working on the current Mid-Term Management Plan (FY2021-2023) to realize further growth of Sompo Group in the 2020s. In developing the plan, I mulled over the megatrends in the next 10 years as the Group CSO. Globally, new risks are emerging due to climate change, advances in digital technologies, and



social change, and a new normal society is being formed as a result of divided society, inflation, rising geopolitical risk, etc. while Japan faces social challenges due to population decline, low birthrate and population aging ahead of other countries. Social change and future challenges were brought forward due to the spread of COVID-19 and uncertainty is rising.

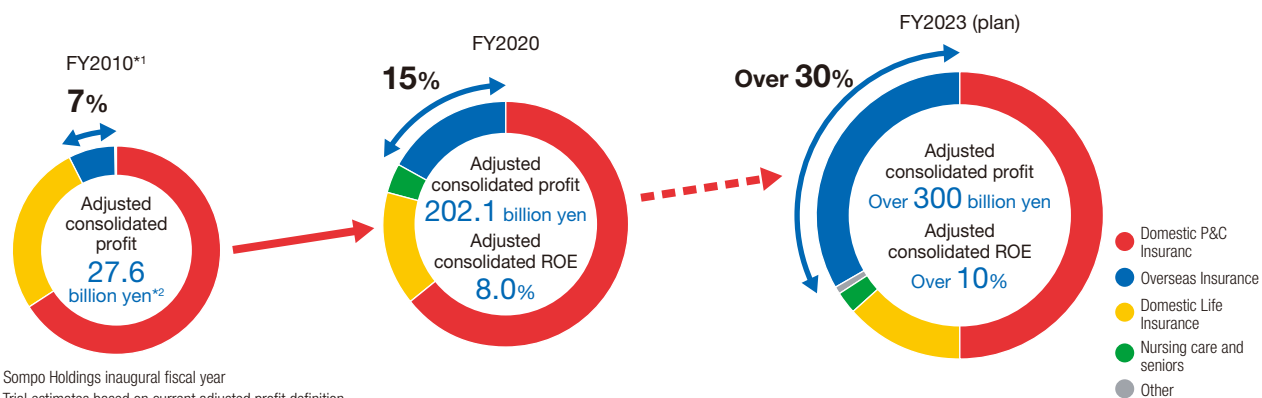
In such environment, three core strategies to focus on were developed. And we are working on “scale and diversification” being aware of the importance of preparedness against uncertainties and resilience more than ever as insurance is the founding business, “new customer value creation” by addressing social challenges across boundaries of insurance, and “new work style” that underpin all challenges.

We set specific KGI and KPIs for each core strategy and have made good progress toward achievement. On “scale and diversification,” we aim to generate adjusted consolidated profit of JPY300 billion or more with adjusted consolidated ROE of 10% or higher by establishing a stable revenue base comparable to global peers, enhance capital efficiency, stability, and growth to build resilience as well as sufficient geographical and risk diversification driven by further improvement in the profitability of the domestic P&C insurance business and growth of the overseas insurance business. On “new customer value creation,” we decided to focus on the Real Data Platform (RDP) that utilizes vast amount of real data obtained in the

insurance and nursing care businesses, etc. as a key tactic to fulfill our purpose of realizing “A Theme Park for Security, Health & Wellbeing.” We aim to address social challenges and develop business models that can be monetized by delivering RDP solutions. The development of the RDP is at the most advanced stage in the nursing care business and new services will be announced in the near future. On “new work style,” various measures are being implemented so that each and every employee is motivated by My Purpose, satisfied and happy at work, and achieves unparalleled productivity toward delivering SOMPO’s Purpose.

In executing the core strategies, we will aggressively invest for growth by using capital of around JPY600 billion over the current Mid-Term Management Plan period. This is to ensure that the goals of the Mid-Term Management Plan are achieved through investment in M&A and organic growth of primarily the overseas insurance business for “scale and diversification” and investment in digital and advanced technologies mainly in the RDP for “new customer value creation.”

As the Group CFO, I would like to explain the three core strategies from a financial perspective. I believe that the execution of three core strategies will lead to enterprise value enhancement through improvement in stock valuation, including the P/B ratio. As you know, the P/B ratio is obtained by multiplying the ROE by the P/E ratio. The ROE has the largest

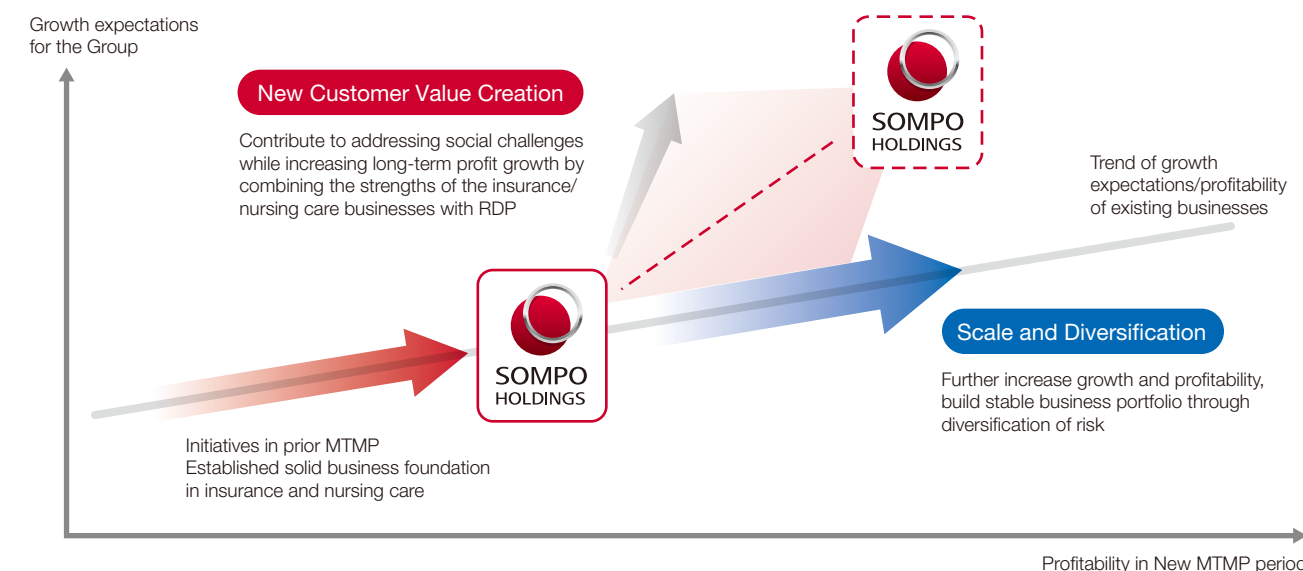


*1 Sompo Holdings inaugural fiscal year
*2 Trial estimates based on current adjusted profit definition

impact in improving stock valuation. So we will work on “scale and diversification” mainly in the core insurance business, generate large cash flows from small capital, and increase ROE steadily at both the individual business and group level. Specifically, we will reduce strategic shareholding, interest rate risk, etc. and invest the proceeds in capital efficient business and domains. However, in reality, it is difficult to increase the ROE to, for example, 30% since certain levels of capital must be maintained in the insurance business according to the regulations of each country. Therefore, it is important to increase the P/E ratio in addition to the ROE to increase enterprise value. Growth expectations, including unrealized financial value, and profit stability are closely related to the P/E ratio. We aim to increase the P/E ratio by generating stable cash flow through “scale and diversification” driven by the growth of the insurance business as well as raising growth expectations in non-insurance areas, such as through investment in human capital for “new customer value creation” and “new work

style,” and eventually increase stock valuation and enterprise value which still have room for improvement.

We are also more aware than before through valuation analysis that shareholder return influences stock price and that dividend increases are especially important. Under the current Mid-Term Management Plan, 50% of adjusted consolidated profit will be returned as basic return, and we plan to steadily increase the total shareholder return through profit growth, and increase the ratio of dividends to total shareholder return. We will also deliver supplemental return depending on financial performance and capital situation. In FY2021, we decided to return JPY150.7 billion to shareholders, the highest level ever, including supplemental return of JPY20 billion based on interim results, in light of the strong financial performance. In FY2022, dividends are expected to increase by JPY50 to JPY260 per share (interim: JPY130, final: JPY130) based on profit growth outlook, representing DPS growth for nine consecutive years.



We made a good start toward achieving management targets in FY2021, the first year of the current Mid-Term Management Plan. While there were positive surprises considered to be one-off, such as fewer traffic accidents due to the spread of COVID-19 and larger investment profit owing to strong financial market environment, adjusted consolidated profit reached JPY261.3 billion, a record high of for the second consecutive year and adjusted consolidated ROE was 9.4% owing to solid underlying business performance, including the progress of earnings structure reform in the domestic P&C insurance business and stronger-than-expected top line growth in the overseas insurance business. In the remaining FY2022 and FY2023, we will further accelerate initiatives in

existing businesses, invest for growth, step up DX, and work on creating a conglomerate premium to increase the probability of achieving adjusted consolidated profit of JPY300 billion or more and adjusted consolidated ROE of 10% or higher, the management targets for FY2023, the final year of the Mid-Term Management Plan.

SOMPO will allocate resources, invest for growth, and deliver attractive shareholder return along with profit growth to deliver social value driven by purpose and continue to enhance enterprise value. Please stay tuned to future growth of Sompo Group.

SOMPO's Capital as a Source of Competitiveness History

In 1888, Tokyo Fire Insurance Company, one of the Group's forerunners, was established as Japan's first fire insurance company with the mission of protecting people from the threat of fire. This sense of mission has been passed down throughout our 130-year history, and is linked to our current Management Philosophy. As social issues change and become more complex, we have expanded the Group's business domains to include life insurance, nursing care, digital, and more with

P&C insurance at the core, taken on the challenge of solving a wide range of social issues, and cultivated our strengths—namely, trust and responsibility from society. The numerous capital assets we have amassed by leveraging these strengths are the source of our competitiveness today.



Financial capital

Social and relationship capital

Human capital

Intellectual capital

Natural capital

STRATEGY/CAPITAL

SOMPO's History of Cultivating Trust and Responsibility

1992
Established the Department of Global Environment (the first for a Japanese financial institution)
 We established a department dedicated to the companywide promotion of solutions to global environmental issues, and have proactively addressed environmental issues through collaboration with stakeholders.

2010
Established NKSJ Holdings (now SOMPO Holdings)
 We started by improving the profitability of existing lines of business, before proactively shifting management resources to growth areas to build a stable earnings base.

2016
Established SOMPO Digital Labs
 We established SOMPO Digital Labs in Tokyo, Silicon Valley, and Tel Aviv to function as research and development bases for digital strategies, and have constructed a system to realize the digital transformation (DX) of the entire Group through information gathering and networking.

2019
Established Palantir Technologies Japan
 We jointly established Palantir Technologies Japan together with Palantir to achieve security, health, and wellbeing for Japanese companies and society through big data analysis by leveraging each other's strengths.

2021
Launched Mid-Term Management Plan, Announced SOMPO's Purpose
 SOMPO launched a Mid-Term Management Plan to achieve its purpose: to create a society in which every person can live a healthy, prosperous and happy life true to themselves by way of a Theme Park for Security, Health & Wellbeing.

1996
Entered the life insurance business
 We entered the life insurance business when Yasuda Fire & Marine (now Sompo Japan) outsourced the agency and administrative operations of INA Life Insurance and established Nippon Fire Partner Life Insurance and Koa Fire & Marine Magokoro Life Insurance.

2003
Launched full-fledged initiatives for diversity (the first for a Japanese financial institution)
 Starting with the establishment of a department dedicated to the promotion of active participation by women, we have constructed systems and frameworks to support the active participation of diverse human resources.

2015
Entered the nursing care business in earnest
 Through our entry into the nursing care business in earnest, we have invested in the future through efforts such as confronting the social issues of a low birthrate and an aging population, providing nursing care services that leverage technology to provide both high productivity and quality, and opening the Future Care Lab in Japan.

2017
Acquired Endurance (now SOMPO International)
 Through disciplined M&As, we have expanded the scale of our business and reorganized our subsidiaries to build a global platform that has contributed to the diversification effects of the Group along with increased revenue and high profit growth.

2020
Established Headquarters for Promoting New Work Styles
 We have positioned the promotion of new work styles as the biggest project in our 130-year existence to transform our corporate culture, and have established the Headquarters for Promoting New Work Styles with the Group CEO at its head with the aim of becoming a group of people who share the three core values through the employees' pursuit of My Purpose.

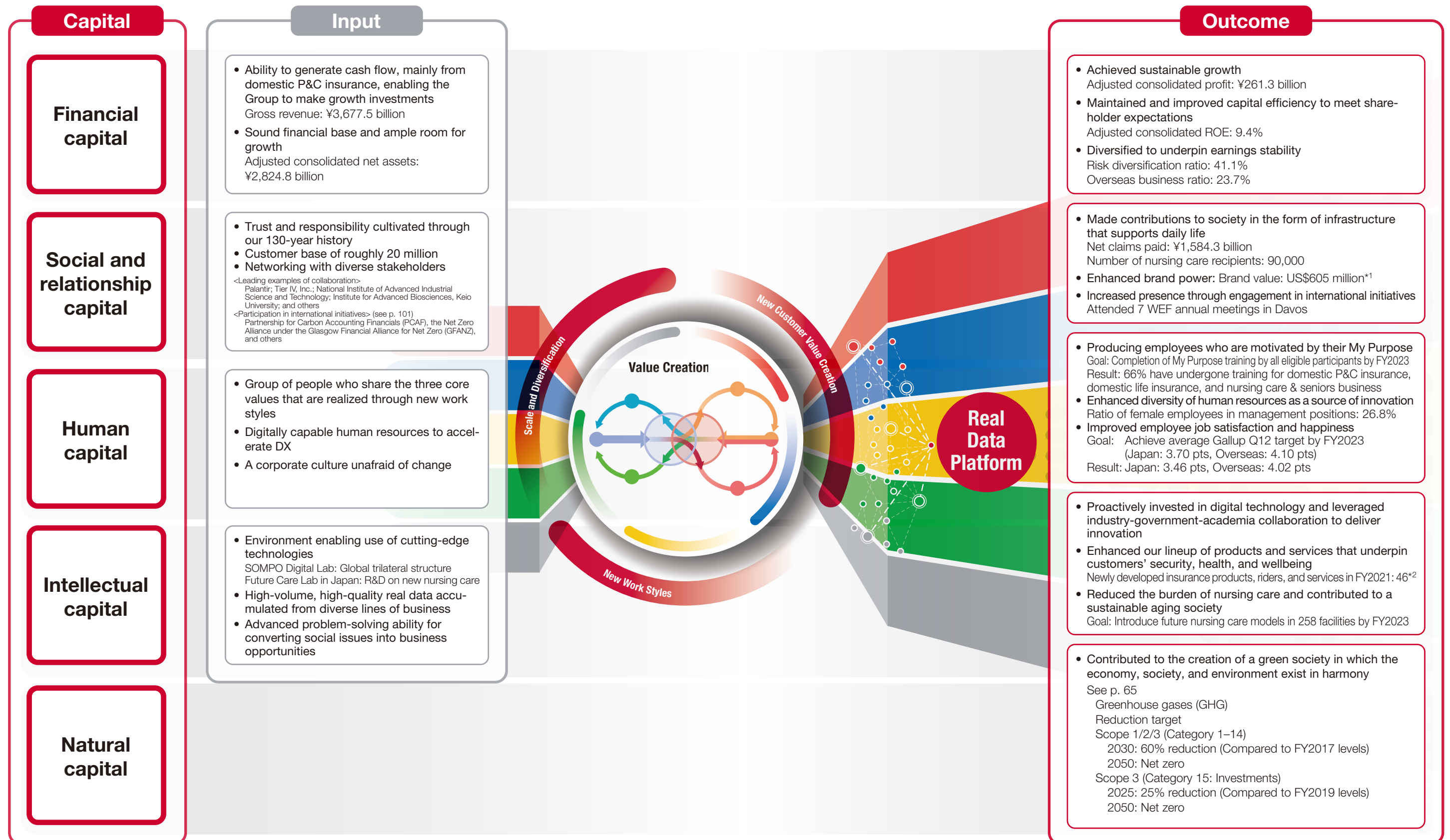
2021
Concluded the Agreement on Comprehensive Mutual Cooperation to Solve Social Issues (National Institute of Advanced Industrial Science and Technology)
 With the aim of contributing to the growth of the Japanese economy through the promotion of joint research and the social implementation of its results, we concluded an agreement to solve social issues with the National Institute of Advanced Industrial Science and Technology, one of the largest research institutes in Japan.

SOMPO's Capital as a Source of Competitiveness Capital

Over our 130-year history, we have accumulated numerous capital assets that serve as the source of our competitiveness.

We will combine our stable revenue base and diverse capital built on relationships of trust with a variety of

stakeholders to create value that only SOMPO can offer. Our 74,000 employees, each motivated by their own My Purpose, are the driving force for our Value Creation Cycle, which we are using to achieve sustainable growth and realize SOMPO's Purpose.



*Actual figures for FY 2021 unless otherwise noted

*1 Based on a survey by Interbrand Japan, Inc.

*2 Simple aggregate of the number of newly developed products, services and riders released by Sompo Japan and Sompo Himawari Life in FY2021

Overview of Mid-Term Management Plan

Sompo Holdings launched the current Mid-Term Management Plan in fiscal 2021. Since it is difficult to predict the future with certainty in the VUCA age, this plan covers a three-year period through FY2023.

In order to realize the vision for society outlined in SOMPO's Purpose, the Mid-Term Management Plan details the initiatives that we will undertake by the end of FY2023. By carefully executing our three core strategies of Scale and Diversification, New Customer Value Creation, and New Work Style, we aim to achieve the goals of an adjusted consolidated profit of ¥300.0 billion or more, and an adjusted consolidated ROE of 10% or higher.

Mid-Term Management Plan (FY2021-2023)

Goals

Realizing "A Theme Park for Security, Health & Wellbeing"

- Adjusted consolidated profit: ¥300.0 billion or more
- Adjusted consolidated ROE: 10% or higher
- Increase the risk diversification effect
- A solution provider that goes beyond the boundaries of insurance

Three Core Strategies

1 Scale and Diversification

To ensure that the company has a resilient business foundation capable of withstanding rapid changes in the environment, such as increasingly severe natural disasters and the spread of COVID-19, we will work to improve profitability and productivity and expand our customer base, with a focus on the insurance business. We will also expand businesses and grow profits by utilizing M&As and other means, and thereby change our business portfolio and improve capital efficiency.

2 New Customer Value Creation

To deliver unprecedented value, we are focusing on establishing the Real Data Platform which organically links real data from various businesses and domains by recognizing the transformative power of digital technology and data. We are also engaged in new business development in areas with a high affinity to our existing businesses.

3 New Work Style

It is essential to increase job satisfaction and happiness of all employees and achieve high productivity for sustainable growth of the Group. We aim to build a group of talent practicing the Three Core Values (Mission-Driven, Professionalism, and Diversity & Inclusion) by reforming various systems and developing human resources.

SDGs in Business Management

▶ P.59

Capital Policy and ERM

▶ P.66

Governance

▶ P.68

Key Financial Performance Indicators

	FY2020 actual	FY2021 actual	FY2022 forecast	FY2023 plan	
Adjusted consolidated profit	¥202.1 billion	¥261.3 billion	¥260.0 billion	¥300.0 billion or more	
Adjusted consolidated ROE	8.0%	9.4%	9.2%	10% or higher	
Diversification effects	Risk diversification ratio	39.4%	41.1%	42.2%	Improvement on FY2020
	Overseas business ratio	14.9%	23.7%	38.5%	30% or higher
New Customer Value Creation	—	—	—	External sales and monetization of products and services (in two businesses or more)	

Domestic P&C Insurance

	FY2020 actual	FY2021 actual	FY2022 forecast	FY2023 plan
Adjusted profit	¥130.1 billion	¥157.4 billion	¥120.0 billion	¥150.0 billion or more
Net premiums written*1	¥1,903.4 billion	¥1,941.7 billion	¥1,987.6 billion	¥2,000.0 billion
E/I combined ratio*1	94.3%	93.5%	93.7%	91.7%
Reduction of strategic shareholdings	¥70.3 billion	¥50.1 billion	¥50.0 billion	¥50.0 billion (three-year total: ¥150.0 billion)

Overseas Insurance and Reinsurance

	FY2020 actual	FY2021 actual	FY2022 forecast	FY2023 plan
Adjusted profit	¥30.0 billion	¥61.8 billion	¥100.0 billion	¥100.0 billion or more
GWP growth rate*2	+37.8%	+31.1%	+4.7%	Annual rate of approx. +9%
E/I combined ratio*2	97.8%	93.9%	90.7%	88-89%

Domestic Life Insurance

	FY2020 actual	FY2021 actual	FY2022 forecast	FY2023 plan
Adjusted profit	¥32.5 billion*3	¥33.6 billion	¥35.0 billion	¥40.0 billion or more
Annualized new premiums*4	¥29.8 billion	¥35.6 billion	¥46.0 billion	¥50.0 billion
Policies in force	4.26 million	4.45 million	4.72 million	5.00 million
Investment for ALM matching*5	—	¥329.4 billion	¥300.0 billion	¥300.0 billion

Nursing Care and Seniors

	FY2020 actual	FY2021 actual	FY2022 forecast	FY2023 plan
Adjusted profit	¥7.3 billion	¥5.9 billion	¥6.0 billion	¥8.0 billion or more
Revenue	¥131.8 billion	¥136.1 billion	¥151.1 billion	¥162.0 billion
Occupancy rate*6	89.4%	91.1%	92.9%	93.8%

New Customer Value Creation

FY2023 plan	External sales and monetization of products and services that utilize RDP	Two businesses or more	Mid- to long-term target	Group revenue generated by the utilization of RDP	¥500.0 billion or more
-------------	---	------------------------	--------------------------	---	------------------------

*1 Sompo Japan (excl. CALI, household earthquake insurance) *2 Sompo International commercial business *3 Recalculated according to current definitions *4 Based on sales performance *5 30-year maturity equivalent *6 As of the end of the fiscal year

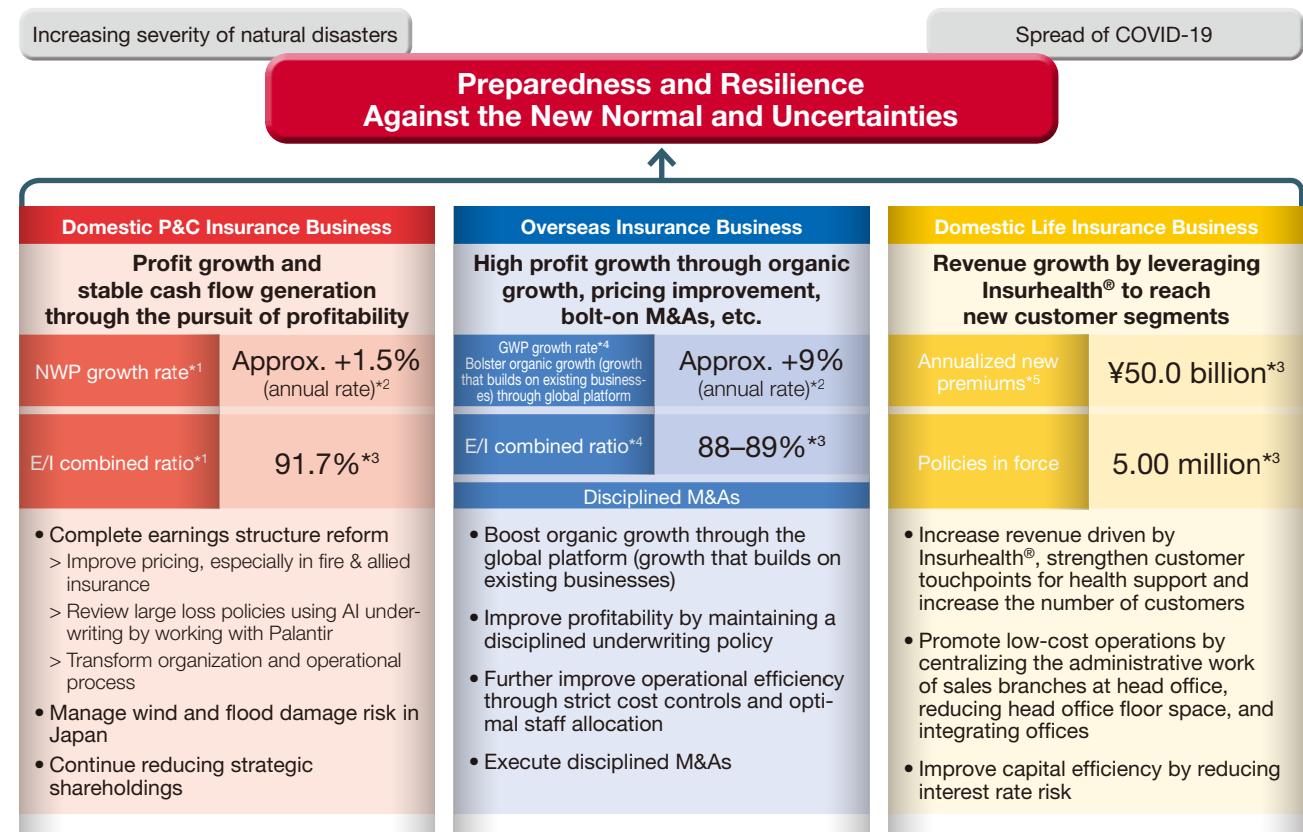
Three Core Strategies

1 Scale and Diversification

To prepare for uncertainty and the “new normal,” characterized by increasingly severe natural disasters and the spread of COVID-19, the Company will accelerate initiatives on Scale and Diversification, which is one of the core strategies of the Mid-Term Management Plan and build a resilient portfolio.

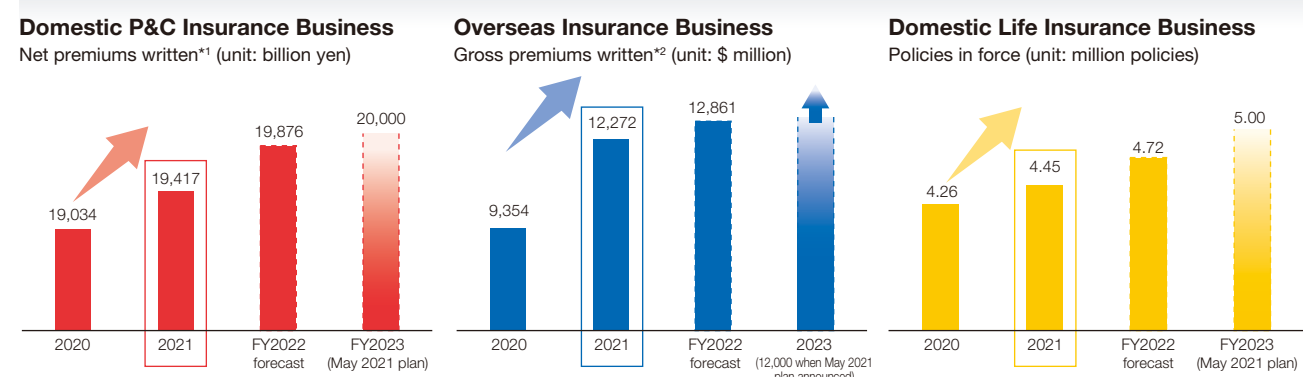
On Scale and Diversification, we will focus on the three insurance businesses (Domestic P&C Insurance, Overseas Insurance and Reinsurance, and Domestic Life Insurance) where solid business foundations have been established. In the Domestic P&C Insurance Business, we will improve

profitability further as well as strengthen the ability to generate cash flow by completing the earnings structure reform. We will grow the Overseas Insurance and Reinsurance Business through disciplined M&As and high profit growth driven by organic growth, pricing improvement, etc. We will increase revenue from the Domestic Life Insurance Business by leveraging Insurhealth® to reach new customer segments. In FY2021, the first year of the Mid-Term Management Plan, the three insurance businesses grew steadily toward strengthening the Group’s resilience.



*1 Sompo Japan (excl. CALI, household earthquake insurance) *2 FY2021–2023 *3 FY2023 *4 Sompo International commercial business *5 Based on sales performance

FY2021 Results of Initiatives in Three Insurance Businesses



*1 Sompo Japan (excl. CALI, household earthquake insurance) *2 Sompo International commercial business

2 New Customer Value Creation

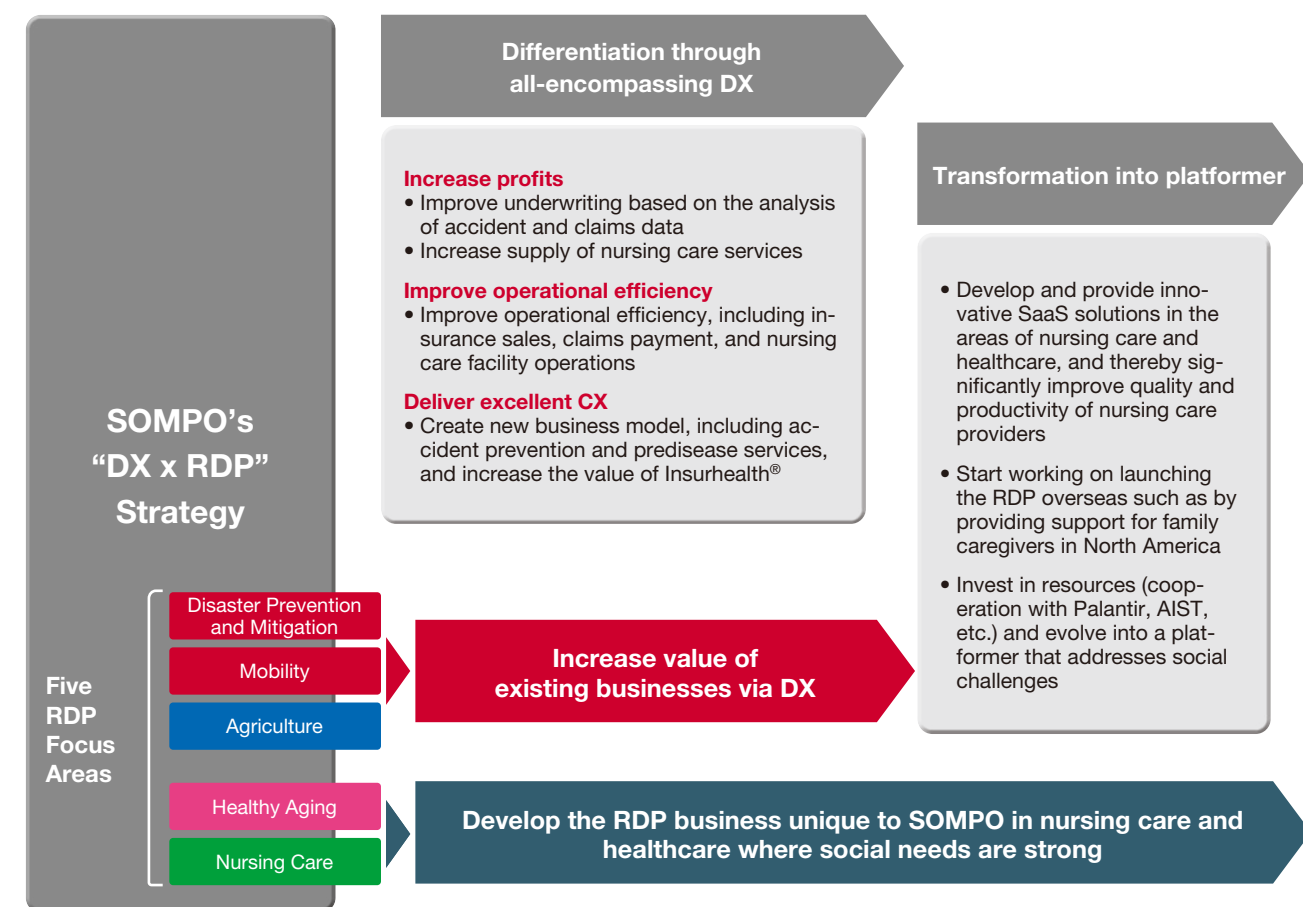
Focus Areas and Progress

For greater progress in realizing “A Theme Park for Security, Health & Wellbeing,” we started to work on digital transformation (DX) to develop solutions in five areas by leveraging our strengths. Our RDP strategy is to develop unimitatable, unique solutions from the RDP and eventually build ecosystems. The next course of action was clarified for areas where a focus on increasing the value of existing businesses would help develop solutions (disaster prevention & mitigation, mobility, agriculture) and areas where solutions should be developed by anticipating the future ecosystems (healthy aging and nursing care).

In the Domestic P&C Insurance Business, we are changing the underwriting mechanism through DX initiatives. Information asymmetry has been reduced through data integration and good progress has been made in developing a platform for turning all employees in marketing into underwriters. In FY2021, we managed to improve underwriting result by changing underwriting conditions of specific policies. As such we will focus on increasing the value of existing businesses

with respect to the three areas (disaster prevention & mitigation, mobility, agriculture) where substantial improvement in productivity and profitability by transforming existing businesses would help deliver high value added services. In these areas, therefore, we will focus on improving the value of our existing businesses for the time being.

The nursing care industry faces two major social challenges which are widening gap between labor supply and demand caused by the rising demand due to the growth of older population and declining supply due to low birthrate, and soaring social security expenditure. Since it is necessary to improve operational quality as well as productivity to address these challenges, Sompo Care started to cooperate with external nursing care providers based on the results of PoC and solutions developed. As such we are working on initiatives to become a platformer by developing the RDP business in the two areas where social needs for ecosystems are strong (nursing care and healthcare).



3 SOMPO's New Work Style

A New Work Style to Realize My Purpose and SOMPO's Purpose

One of the core strategies of the Sampo Group's Mid-Term Management Plan is to promote a New Work Style, with the goal of improving the job satisfaction and happiness of each of its employees, and achieving an overwhelmingly high level of productivity. This New Work Style will be built on individual employees seeking to achieve their personal "My Purpose"—with the ultimate goal of realizing SOMPO's Purpose.

To achieve this, we aim to Create the ideal group of talent who share the Three Core Value of Mission-Driven, Professionalism, and Diversity & Inclusion. We will implement various Group-wide policies to establish this workforce, and we will verify the progress of these policies and implement improvements using Human Capital Impact Pass, a framework that systematizes and visualizes the status of these initiatives.



Key Group-wide Policies to Create the ideal group of talent who share the Three Core Value

The Sampo Group is carrying out various initiatives to establish a Mission-Driven workforce, with two of the key initiatives being: the implementation of "My Purpose 1-on-1," which seeks to empower employees to adopt a self-directed work style by incorporating My Purpose into their work and engaging in regular employee-supervisor dialogue; and the establishment of a "Self-chosen Career-Development System," which enables employees to choose a career path based on their own My Purpose. Through these initiatives, the Group encourages employees to align their individual My Purpose with the Group-wide SOMPO's Purpose, pursue both in their day-to-day work, and so achieve improved job satisfaction and productivity.

To improve Professionalism, the Sampo Group carries out training for selected employees of all levels, with the goal of nurturing human resources capable of driving Group management forward on a global basis. For younger employees, we offer the in-house SOMPO Global University, in partnership with the National University of Singapore Business School. Sampo Japan has also established Sampo Japan University

for online learning. By providing employees with opportunities for self-directed learning, it supports their efforts to take on new challenges. Furthermore, we are working to develop effective digital human resources so that we can implement a business model premised on the use of digital technology. To this end, we have assigned all our employees to one of three categories—DX Planning Talents; DX Expert Talents; and DX Utilization Talents—and we are implementing training systems tailored to each category.

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." One of the goals of promoting D&I is to encourage innovation. In order to realize SOMPO's Purpose, we need to welcome the "good clashes of knowledge" that occur when diverse people interact, and build on them to innovate and find new value. We intend to facilitate major innovation by fomenting a Group-wide culture in which employees share their individual My Purposes and respect and accept each other.

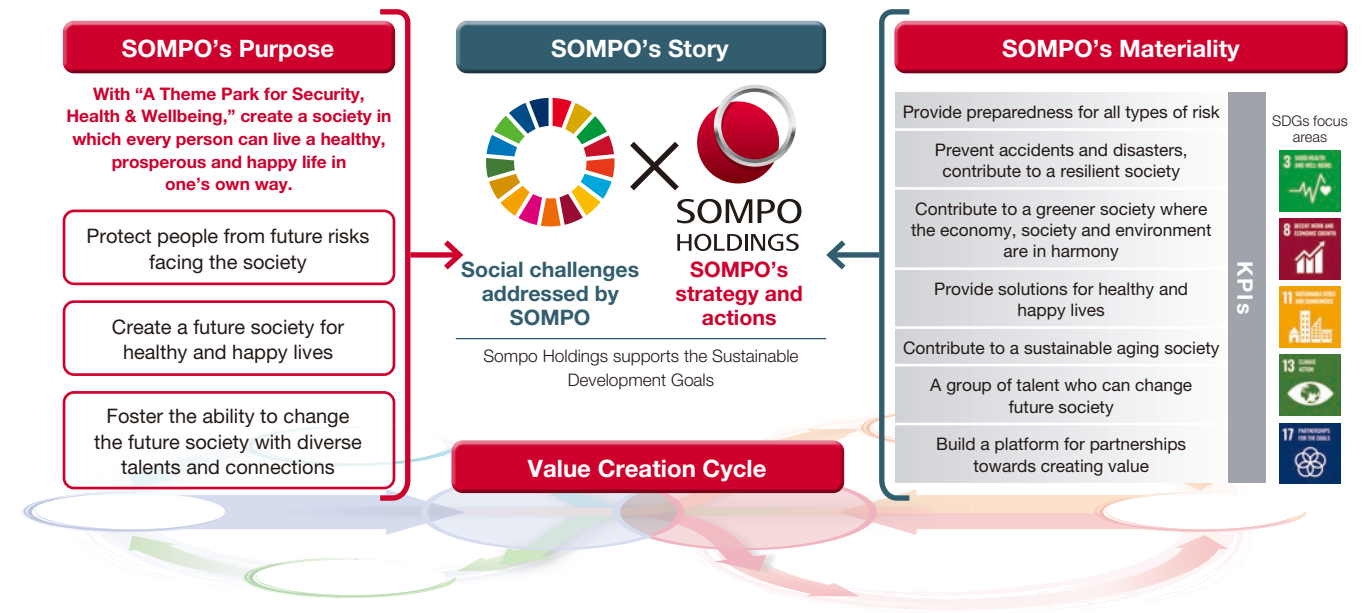
Group Business Foundation SDGs in Business Management

Overview of SDGs in Business Management

In its current Mid-Term Management Plan, the Sampo Group has positioned "SDGs in Business Management" as one of our Group Business Foundations to create economic and social value by using its core business to resolve social challenges. To do this, we have designated seven Materialities—or priority issues—for realizing SOMPO's Purpose. We have also

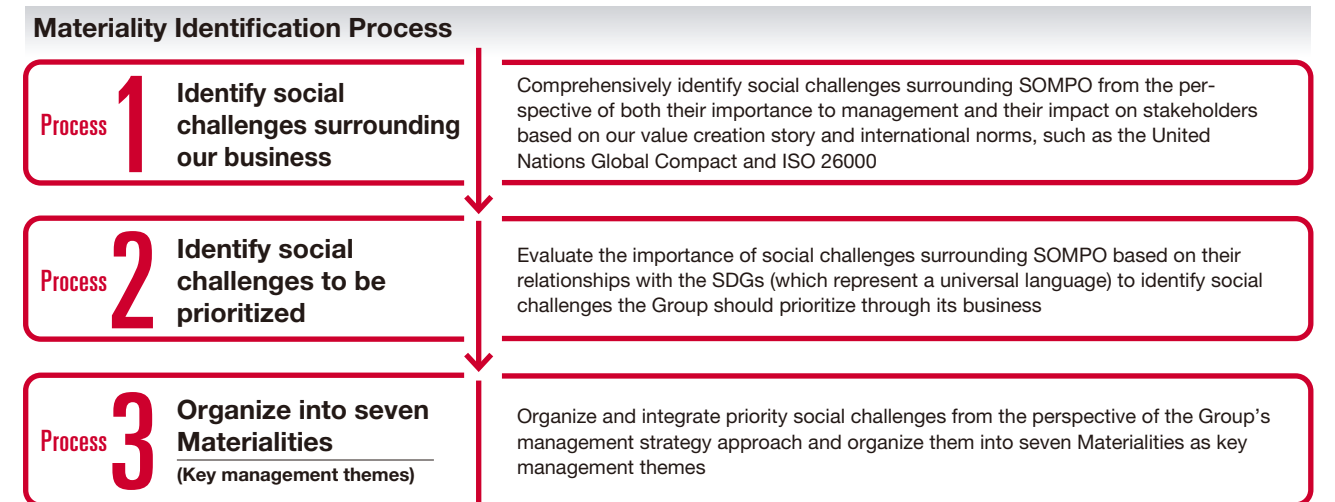
set KPIs for each Materiality to facilitate the creation of highly effective PDCA cycles, visualizing our progress and identifying issues.

By driving value creation cycles through this SDGs in Business Management framework, we seek to promote Group-wide initiatives for realizing SOMPO's Purpose.



Identifying Materiality

The Sampo Group has identified social challenges based both on international norms and on its mission to realize SOMPO's Purpose. After assessing their importance according to their relevance to SDGs, we have identified priority social challenges, and organized, integrated, and systematized them as Materiality.



Integrating Materiality KPIs and the Value Creation Cycle

The Sampo Group has set KPIs for each Materiality to measure progress toward achieving its Materiality goals. By integrating these Materiality KPIs with important elements and KPIs of our value creation cycle, we have created a system for executing a PDCA cycle for our SDGs Management.

SDGs Matrix: Social Challenges and SDGs Addressed by SOMPO

This matrix follows ISO 26000 frameworks to clarify the relationship between the social challenges facing SOMPO, which were identified in Process 1 of the Materiality Identification Process, and the core subjects of ESG and ISO 26000. It also indicates which of the 169 SDG Targets the Sompogroup will contribute to through the provision of its products and services. In Process 2, we

narrowed down Materiality candidates based on their level of importance, and identified which social challenges to prioritize through our business. Finally, in Process 3, we organized, integrated, and systematized these social challenges according to our strategies. We have termed these challenges "Materialities," or priority issues for realizing SOMPO's Purpose.



ESG Category	ISO 26000 Seven Core Subjects	Social challenges facing SOMPO	1	2	3	4	5	6	7	8
G	Organizational governance	Fulfilling governance functions						△5.5		△8.8
		Refining ERM								△8.10
		Strengthening cyber security resilience								△8.10
		Strengthening resilience against increasingly uncertain international affairs								
Fair operating practices		Ensuring compliance								△8.8
		Preventing corruption								△8.8
Human rights		Incorporating ESG into the value chain							●7.2	●8.7
		Responding appropriately to risks to human dignity and human rights	△1.3		●3.4	●4.4	△5.4			●8.8
S	Labor practices	Preventing the spread of infectious diseases			●3.3					●8.10
		Improving employee engagement			△3.4	●4.4	△5.4			●8.2
		Improving the Group's ability to innovate				△4.4	△5.b			●8.2
		Promoting diversity & inclusion	△1.4		△3.4	●4.5	●5.5			●8.2
		Promoting health and productivity management*			●3.4					●8.8
		Investing in human resources (lifelong learning and recurrent education)				●4.4				●8.2
S	Community involvement and development	Investing in human capital			△3.4	△4.4	△5.5			●8.2
		Supporting regional development for regional revitalization								
		Promoting culture and the arts					△4.7			
		Promoting financial inclusion and ensuring universal access to insurance	●1.4	●2.3	●3.3					●8.10
		Contributing to a society that is resilient against natural disasters	●1.5							●8.10
		Contributing to a safe and secure next-generation mobility society			●3.6					●8.10
		Contributing to a sustainable social security system	●1.3		●3.4		●5.4			●8.8
		Supporting people who are vulnerable to disasters	△1.5							
		Co-creating with diverse stakeholders to achieve transformation	●1.4	●2.4	●3.6	●4.7	●5.5	●6.6	●7.a	●8.10
		E	Consumer issues	Responding to a data-driven society			●3.4	△4.4	△5.b	
Improving the quality of customer services					●3.6					●8.10
Safeguarding privacy										△8.8
Contributing to a smart society					●3.4					
Extending life expectancy	△1.4				●3.4	△4.4	△5.4			●8.10
Providing products and services that reflect changes in people's values and behavior					●3.4					●8.10
Educating future generations (disaster prevention and traffic safety)					●3.6	●4.7		△6.6		
Educating future generations (the environment)						●4.7				
E	Environment	Promoting sustainable finance (underwriting and developing insurance products)			△3.9				●7.a	△8.10
		Promoting sustainable finance (investment and lending)			△3.9				●7.a	△8.3
		Contributing to a sustainable food supply	●1.5	●2.4				△6.6		●8.10
		Contributing to a carbon neutral society	●1.5	●2.4	△3.9	△4.7		△6.6	●7.2	
		Contributing to a circular economy							●6.b	
		Contributing to a society in harmony with nature							●6.6	

9	10	11	12	13	14	15	16	17	Priority social challenges	
●9.b								●16.7	△17.17	☆
								△16.5		
△9.1										
								●16.1		
	△10.3							●16.5		
	△10.3							●16.5		
			●12.2	●13.2	△14.2	△15.1	△16.2	●17.17		☆
								●16.1	●17.16	☆
				△13.1						
●9.b										☆
●9.b										
	●10.2		△12.6							☆
									△17.16	☆
●9.b	△10.2									☆
●9.b	△10.2									☆
		△11.3							●17.16	
									●17.16	
△9.3		●11.b		●13.1					●17.16	☆
		●11.b		●13.1					●17.16	☆
●9.b		●11.2							●17.16	☆
	△10.2								●17.16	☆
		△11.b		△13.3					△17.16	
●9.2	●10.4	●11.b	●12.5	●13.3	●14.2	●15.1	●16.2	●17.16		☆
●9.2								●17.16		☆
△9.5								●17.16		☆
							●16.5			
		●11.3		△13.1				●17.16		☆
	△10.2							●17.16		☆
			△12.8					●17.16		
		●11.b						●17.16		☆
		●11.b	●12.3	●13.3	●14.1			●17.16		☆
●9.1		●11.4		●13.3	△14.1	△15.5		●17.16		☆
●9.4		●11.4		●13.a	△14.1	△15.5		●17.16		☆
				●13.1				●17.16		☆
△9.1		△11.4	●12.8	●13.2	△14.1	△15.5		●17.16		☆
			●12.5	△13.3	●14.1	△15.4		●17.16		☆
			●12.5	△13.3	●14.1	△15.2		●17.16		☆

Process 3
Organize into seven Materialities
(Key management themes)

- Provide preparedness for all types of risk
- Prevent accidents and disasters, contribute to a resilient society
- Contribute to a greener society where the economy, society and environment are in harmony
- Provide solutions for healthy and happy lives
- Contribute to a sustainable aging society
- A group of talent who can change future society
- Build a platform for partnerships towards creating value

*1 SDG targets strongly linked to Sompogroup's initiatives are marked as "●," and those moderately linked are marked as "△."
The Sompogroup will continuously review the matrix in light of developments in its problem-solving business and changes to social challenges.
*2 This matrix was formulated under the supervision of Professor Hidemitsu Sasaya of the Chiba University of Commerce.
* "Health and productivity management*" is a registered trademark of Nonprofit Organization KenkoKeiei.

Materiality KPIs

The Sampo Group has set KPIs for each Materiality to define its actions for realizing SOMPO's Purpose, and to gauge the progress of these actions. By integrating these KPIs with important elements of our value creation cycle, we have created a system that enables us to implement said value creation cycle. In fiscal 2021, we achieved 24 of the 29 KPIs for which we had set single-year targets. As our initiatives and strategies for realizing SOMPO's Purpose evolve and change, we are expanding our Materiality KPIs.

Indeed, we have committed to adding a further four KPIs in fiscal 2022, and plan to subsequently add two more. In this way, by establishing a Group-wide framework that facilitates the creation of a PDCA cycle for our value creation cycle, we are making progress towards realizing SOMPO's Purpose.

Materiality	Materiality Subcategory	Materiality KPIs	
		KPIs	Target Business
Provide preparedness for all types of risk	Promoting financial inclusion and ensuring universal access to insurance	Domestic net written premiums (contribution to promoting insurance)	Domestic P&C Insurance
		Overseas gross written premiums (contribution to promoting insurance)	Overseas Insurance and Reinsurance
	Contributing to a sustainable food supply	No. of life insurance policies in force (contribution to promoting insurance)	Domestic Life Insurance
		No. of sales and premiums for insurance products that help people prepare for illness and injury (core products)	Domestic P&C Insurance
Prevent accidents and disasters, contribute to a resilient society	Contributing to a society that is resilient against natural disasters	Expansion of AgriSampo's agricultural insurance business to more countries	Overseas Insurance and Reinsurance
		Customer satisfaction with insurance claims paid for natural disasters	Domestic P&C Insurance
	Contributing to a safe and secure next-generation mobility society	★ Development of products and services that help adapt to or mitigate climate change	All Group businesses
		No. of sales and premiums for insurance products that contribute to a safe and secure next-generation mobility society (core products)	Domestic P&C Insurance
Contribute to a greener society where the economy, society and environment are in harmony	Promoting sustainable finance (underwriting and developing insurance products, and investment and lending)	★ Customer satisfaction with insurance claims paid for car accidents	Domestic P&C Insurance
		No. of participants in disaster prevention and traffic safety training	All Group businesses
	Contributing to a carbon neutral society, to a circular economy, and to a society in harmony with nature	Participation and activities in sustainability-related initiatives and rule-making	All Group businesses
		No. of engagements with investee and borrower companies	All Group businesses
Provide solutions for healthy and happy lives	Promoting sustainable finance (underwriting and developing insurance products, and investment and lending)	Reduction rate for Group greenhouse gas emissions	All Group businesses
		Switch to renewable energy sources	All Group businesses
	Contributing to a carbon neutral society, to a circular economy, and to a society in harmony with nature	★ Reduction rate for greenhouse gas emissions of investee and borrower companies	All Group businesses
		Incorporating ESG into the value chain	All Group businesses
Contribute to a sustainable aging society	Promoting sustainable finance (underwriting and developing insurance products, and investment and lending)	No. of participants in environmental education programs	All Group businesses
		No. of Insurhealth® policies sold	Domestic Life Insurance
	Contributing to a smart society	No. of Insurhealth® policies in force	Domestic Life Insurance
		Sales share of Insurhealth® products	Domestic Life Insurance
A group of talent who can change future society	Extending life expectancy	★ No. of My Link X members	Domestic Life Insurance
		Company name recognition	Domestic Life Insurance
	Contributing to a sustainable social security system	Perception as a company that promotes health	Domestic Life Insurance
		No. of branch offices offering dementia prevention programs	Nursing Care and Seniors
Build a platform for partnerships towards creating value	Contributing to a sustainable social security system	Health guidance business revenue	Strategic business
		Mental health service revenue	Strategic business
	Promoting a data-driven society	No. of smart community proof of concepts	Nursing Care and Seniors
		No. of facilities introducing future nursing care model	Nursing Care and Seniors
Investing in human capital	Improving employee engagement	Nursing care facility occupancy rate	Nursing Care and Seniors
		No. of nursing care users	Nursing Care and Seniors
	Promoting health and productivity management, and responding appropriately to risks to human dignity and human rights	Care provider turnover rate	Nursing Care and Seniors
		★ Social impact of Nursing Care Business	Nursing Care and Seniors
Investing in human capital	Promoting diversity & inclusion	Employee engagement	All Group businesses
		My Purpose training participation rate	All Group businesses
	Investing in human resources (lifelong learning and recurrent education)	Telework rate	All Group businesses
		Health and productivity management indicators (Work Limitations Questionnaire)	All Group businesses
Investing in human capital	Investing in human resources (lifelong learning and recurrent education)	Ratio of female managers	All Group businesses
		Ratio of employees with disabilities	All Group businesses
	Promoting a data-driven society	Shift to job-based HR system	All Group businesses
		No. of digital personnel developed and recruited	All Group businesses
Investing in human capital	Promoting a data-driven society	Group revenue generated by utilizing Real Data Platform	Digital
		External sales and monetization of Real Data Platform products and services	Digital
	Promoting a data-driven society	★ Nursing Care RDP indicators	Nursing Care and Seniors

Co-creating with diverse stakeholders to achieve transformation

Fulfilling governance functions

Investing in human capital

★ KPIs added in fiscal 2022
☆ KPIs scheduled for addition

Numerical Targets	Partnership KPIs	FY2021 Results		Relevant SDG Targets			SOMPO's Vision for Society and for the Group
		Results	Status of single-year targets	1.4	8.10	11.b	
FY2021: ¥1,988.6bn; FY2022: ¥2,055.3bn; FY2023: ¥2,079.9bn		¥1,999.6bn	Achieved	1.4	8.10	11.b	A safe and secure society, which is also protected from new risks such as climate change, infectious diseases, and cyberattacks due to the evolution of insurance
FY2021: +7.9%; FY2022: +7.1%; FY2023: +6.9% *USD base		+25.8%	Achieved	1.4	8.10	13.1	
FY2021: 4.43M; FY2022: 4.72M; FY2023: 5.00M		4.45M	Achieved	1.4	3.4	8.10	
Increase YoY		YoY increase: +12,000 insurance product sales; +¥2.25bn premiums	Achieved	3.3	3.4	8.10	
Increase number of countries by FY2023		No increase	No single-year target set	1.5	2.4	13.1	A society in which risks are controlled and damage is minimized by detecting and preventing warning signs
Improve YoY		YoY improvement: -3.3 points	Not achieved	1.5	11.b	13.1	
Publish and update development results		—	—	1.5	13.1	13.3	
Increase YoY		YoY increase: +59,000 insurance product sales; +¥240mn premiums	Achieved	3.6	8.10	11.2	
Improve YoY		—	—	3.6	8.10	11.2	An inclusive and resilient carbon neutral society where people and nature coexist in harmony
FY2021: 15,000; FY2022: 18,000		23,036	Achieved	3.6	4.7	11.b	
Publish and update activity results		Joined PCAF and three GFANZ sector-specific alliances	No single-year target set	9.4	11.4	13.3	
Increase YoY		Increase YoY	Achieved	7.a	9.4	13.a	
60% reduction by 2030 (compared to 2017 levels), net zero by 2050 *Targets include Scopes 1, 2, and 3, but exclude investee and borrower companies		228,051tCO2e	No single-year target set	7.2	12.8	13.2	A society in which people who need support can live independent, healthy, and happy lives in a way true to themselves
70% utilization rate by FY2030		2.2%	No single-year target set	7.2	12.2	13.2	
25% reduction by 2025 (compared to 2019 levels), net zero by 2050 *For Scope 3, Category 15 emissions		FY2020 Equities: 948,530 tCO2e Bonds: 906,207 tCO2e	—	7.a	12.8	13.2	
FY2021: 11,500; FY2022: 9,000		6,595	Not achieved	4.7	13.3	14.1	
End of FY2021: 300,000; End of FY2022: 460,000; End of FY2023: 420,000		340,000	Achieved	1.4	3.4	8.10	A hopeful society in which the burden is reduced on people tasked with supporting an aging population and a declining birthrate
End of FY2021: 600,000; End of FY2022: 1,130,000; End of FY2023: 1,300,000		710,000	Achieved	1.4	3.4	8.10	
End of FY2021: 60%; End of FY2022: 70%; End of FY2023: 80%		68.3%	Achieved	3.4	3.a	8.10	
FY2022: 700,000; FY2023: 1,000,000	Increase in no. of partnerships	457,000	—	1.4	3.4	8.10	
End of FY2021: 60%; End of FY2022: 70%; End of FY2023: 80%	1) No. of collaborations and partnerships announced to the public	51.7%	Not achieved	3.4	3.a	8.10	An organization whose diverse workforce has the capacity to develop innovative solutions and transform future society
Life insurance industry ranking for Sampo Himawari Life Insurance: End of FY2021: No. 5; End of FY2022: No. 3; End of FY2023: No. 1	2) No. of proof-of-concept and pilot tests conducted through collaborations and partnerships	No.9	Not achieved	3.4	3.a	8.10	
FY2021: 38; FY2022: 82; FY2023: 171		41	Achieved	3.4	5.4	10.2	
FY2021: ¥3.519bn; FY2022: ¥3.881bn		¥3.746bn	Achieved	3.4	3.5	4.7	
FY2021: ¥1.485bn; FY2022: ¥1.619bn		¥1.493bn	Achieved	3.4	4.4	8.8	An organization that innovates based on facts and data, and that promises fulfilling lives for an aging population and for the people who support it
FY2021: 10; FY2022: 10		12	Achieved	3.4	3.d	11.3	
FY2021: 28; FY2022: 73; FY2023: 258		23	Not achieved	1.3	3.4	8.8	
FY2021: 90.8%; FY2022: 92.9%; FY2023: 93.8%		91.1%	Achieved	1.3	3.4	10.2	
FY2021: 90,000; FY2022: 94,000; FY2023: 120,000		90,000	Achieved	1.3	3.4	5.4	An organization that innovates based on facts and data, and that promises fulfilling lives for an aging population and for the people who support it
FY2021: 11.4%; FY2022: 11.0%; FY2023: 10.5%		11.4%	Achieved	1.3	3.4	8.5	
Plans to disclose future social impact of Nursing Care Business		—	—	1.3	3.4	8.5	
Average Gallup Q12 score of 3.70 pt in Japan and 4.10 pt overseas by end of FY2023		3.46 pt in Japan, and 4.02 pt overseas	Achieved	4.4	8.2	9.b	
End of FY2023: 100% of eligible employees		66% of employees from Domestic P&C, Domestic Life Insurance, and Nursing Care and Seniors Businesses	Achieved	4.5	4.4	8.2	An organization that innovates based on facts and data, and that promises fulfilling lives for an aging population and for the people who support it
50% or more of whole Group *excluding frontline care givers		65.0%	Achieved	4.4	5.4	8.8	
Improve YoY at all companies		93.8%	Achieved	3.4	8.2	8.8	
End of FY2023: 30%		26.8%	Achieved	5.5	8.2	10.2	
End of FY2023: 2.5%		2.41%	Achieved	4.5	8.2	10.2	An organization that innovates based on facts and data, and that promises fulfilling lives for an aging population and for the people who support it
Introduce job-based system at all companies by end of FY2023		Introduced at Sampo Holdings and Sampo Himawari Life Insurance; job-posting system introduced at Saison Automobile and Fire Insurance Company	No single-year target set	8.2	8.5	9.5	
End of FY2023: DX specialists: 177 DX planning personnel a) Employees who have completed basic DX training: 4,000 b) Participants in AI planning, data utilization, and CX agile design training: 3,000 DX utilization personnel: 17,100 participants in training		DX specialists: 31 DX planning personnel a) Employees who have completed basic DX training: 1,979 b) Participants in AI planning, data utilization, and CX agile design training: 791 DX utilization personnel: 10,656 participants in training	Achieved	4.4	8.2	9.5	
¥500bn (medium- to long-term target)		No results	No single-year target set	3.4	9.5	17.16	
Two projects or more by end of FY2023		No results	No single-year target set	3.4	9.2	17.16	An organization that innovates based on facts and data, and that promises fulfilling lives for an aging population and for the people who support it
Targets to be decided based on business plans		—	—	3.4	8.2	9.2	

SOMPO Climate Action

In its current Mid-Term Management Plan from FY2021, the Sompō Group has positioned climate change as a priority social challenge. We launched “SOMPO Climate Action” to adapt to climate change, to mitigate climate change, and to contribute to transforming society.

SOMPO Climate Action

1. Adapt to Climate Change

Enhance social resilience by collaborating on the development and provision of products and services

- Contribute to sustainable agriculture via AgriSompō
- Develop products and new businesses for disaster prevention and mitigation
- Provide corporate BCP service

2. Mitigate Climate Change

Achieve Net Zero Group GHG Emissions by 2050

- Use renewable energy across the Group (70% by 2030)
- Engage in sustainable procurement that supports biodiversity
- Develop products and new businesses for the promotion of clean energy
- Establish corporate decarbonization services

3. Contribute to Transforming Society

Support Social Transformation through Collaborations with NPOs and Other Stakeholders, and through Engagement as a Financial Institution

- Promote engagement with investee companies
- Proactively participate in rule-making and policy proposals
- Develop environmental personnel

1. Four Actions to Adapt to Climate Change

Having analyzed the potential risks and opportunities that climate change will have on our Group, we have established a basic policy of engaging in four actions to achieve our Climate Action plan: 1) Formulate and execute a Green Transition Plan; 2) Strengthen our internal response systems; 3) Enhance our Climate Risk Framework; and 4) Create climate-related business opportunities.

2. Formulate and Execute a Green Transition Plan

The goal of our Group is to achieve net-zero greenhouse gas (GHG) emissions by 2050, including our underwriting operations and our investee and borrower companies. To this end, the entire Group is promoting the following actions.

Initiative 1: Formulate Interim GHG-Reduction Targets for Investee and Borrower Companies

In fiscal 2021, we set ourselves the goal of achieving net-zero GHG emissions across our entire value chain—including investee and borrower companies—by 2050. In May 2022, we strengthened our engagement with our investee and borrower companies by setting an interim target of reducing GHG emissions by 25% by 2025 (compared to 2019 levels).

Initiative 2: Strengthen Underwriting and Investee and Borrower Company Policies

Our Group believes sustainability to be a driver of long-term value creation, and we make decisions for our underwriting operations, investee and borrowing companies, and business activities based on the basic approach outlined in SOMPO's Purpose.

For further information about our Underwriting Operations and Investee and Borrower Company ESG Policies, please visit our corporate website:

<https://www.sompo-hd.com/en/csr/system/vision/>

Renewable energy is particularly important as we transition towards a green society, and we seek to achieve our SOMPO Climate Action plan through the following initiatives for our underwriting operations and investee and borrowing companies.

Initiatives for Underwriting, Investment and Loan

- We will not underwrite new insurance or make new investments in or loans for new or existing coal power plants or thermal coal mine projects.
- We also will not underwrite new insurance or make new investments in or loans for oil and gas extraction projects in the oil sands or the Arctic National Wildlife Refuge (ANWR).
- We will not insure or make investments or loans to companies that they do not establish a GHG reduction plan by January 2025, that derive at least 30% of their revenues from coal-fired power generation, thermal coal mines, or oil sands, or electric utilities companies that generate at least 30% of their energy from coal, or that oil and gas extract in the ANWR.

For further information about our policies, please visit our corporate website.

<https://www.sompo-hd.com/en/csr/system/vision/>

Initiative 3: Join Net Zero Organizations

The Sompō Group became the first Japanese insurance company to join three of the sector-specific alliances that comprise the Glasgow Financial Alliance for Net Zero (GFANZ), a global alliance of financial institutions committed to achieving net-zero GHG emissions by 2050. Through our membership in these organizations, we intend to contribute to the establishment of rules aimed at realizing social transformation, and to accelerate our initiatives to achieve net zero by promoting decarbonization in our underwriting operations, and reducing GHGs in our investments.

The Three Sector-Specific GFANZ Alliances (2022)

- Net-Zero Insurance Alliance
- Net-Zero Asset Owner Alliance
- Net Zero Asset Managers Initiative

3. Information Disclosures that Follow TCFD Recommendations

The Sompō Group supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and works to disclose various initiatives and information related to climate change with high levels of transparency. For further information, please visit our corporate website:

<https://www.sompo-hd.com/en/csr/materiality/topic2/>

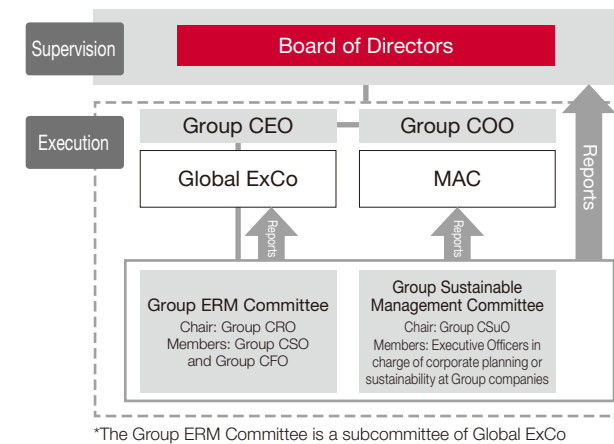
Climate Change Governance System

The Sompō Group has designated “contributing to a green society in which the economy, society, and environment exist in harmony” as one of its Materialities for realizing SOMPO's Purpose. To this end, we have established a system in which our Executive Officers formulate and execute climate change strategies and measures, and progress is supervised by the Board of Directors.

Chaired by the Group Chief Sustainability Officer, the Group Sustainable Management Committee ensures these strategies and measures are communicated to employees, and verifies the initiatives of Group companies. Based on the Committee's discussions, the latest information regarding our climate change strategies and measures are reported to the Global Executive Committee (Global ExCo) and the Managerial Administrative Committee (MAC). For further information, please see p.101 of this Integrated Annual Report.

The Group Chief Risk Officer (Group CRO) has established a risk control system based on the “SOMPO Group's Basic Policy on ERM,” comprehensively identifies and evaluates the risks to each business through the Group ERM Committee, a subcommittee of Global ExCo, and periodically reports to the MAC and the Board of Directors on the management status of the Group's “material risks” including climate change.

The Board of Directors receives reports regarding discussions and deliberations held by Global ExCo and MAC. It oversees the appropriateness of strategies in light of SOMPO's Purpose, and monitors the execution of these measures by Directors and Executive Officers.



*The Group ERM Committee is a subcommittee of Global ExCo

Number of meetings and discussions on the subject of climate change held by each committee in FY2021:

- Global ExCo: 2
- MAC: 5
- Group Sustainable Management Committee: 3
- Group ERM Committee: 2

Strategy and Scenario Analysis

1) Assessment and analysis of climate-related risks and opportunities

Once environmental changes related to climate change have been identified, the risks and opportunities they present to our Group's business are assessed and analyzed according to two timeframes: short-term, medium-term (5–10 years), and long-term (10–30 years). These assessments and analyses are used when proposing strategies and discussing concrete measures.

2) Climate change-related business initiatives

Based on the above analyses and the Group's basic policy on climate change, we work to promote the spread of renewable energy through our insurance (mitigation), engage in disaster-prevention and mitigation through collaboration with our stakeholders (adaptation), and continuously invest in ESG bonds.

For further information about our initiatives, please visit our corporate website:

<https://www.sompo-hd.com/en/csr/action/>

3) Scenario analysis

Based on the assessments and analyses of climate change-induced risks and opportunities outlined above, we also conduct scenario analyses on physical risks and transition risks.

1. Physical risks

The growing severity and frequency of natural disasters such as typhoons, floods, and storm surges has increased the likelihood of unexpectedly large claim payouts, and consequentially financial impact on the Group. In the P&C insurance business, risks can be controlled by revising underwriting conditions and reinsurance policies based on incidence trends. We are also working to ensure resilience based on geographic diversification, quantification based on short- and long-term climate forecasts, and long-term scenario analysis results.

To quantitatively grasp risks, we use weather and climate big data, such as the Database for Policy Decision-making for Future Climate Change (d4PDF). We seek to understand the medium- and long-term (5–10 years) impact of 2°C and 4°C rises in average temperature on typhoons, floods, and storm surges, and on the incidence of extreme weather events. In addition, we estimate the impacts of these phenomena using simple quantitative analysis tools, based on guidelines issued by the United Nations Environment Programme Finance Initiative's TCFD Insurer Pilot Group.

Estimate results

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

At present, we use the scenario analysis framework provided by the Network for Greening the Financial System, which is examining financial supervisory responses to climate change risk.

2. Transition risks

We have analyzed the impact of transition risks on assets held by the Group (Japanese and foreign equities and corporate bonds) using the model provided by MSCI, based on scenarios in which global warming are limited to 1.5°C, 2°C, or 3°C. We focused on the impact of policy risks associated with the transition to a low-carbon global economy and the impact of technological opportunities from climate change mitigation and adaptation initiatives. These analyses indicate that while the impact on Japanese equities is the largest, the overall impact of policy risks is limited as it is offset by that of technological opportunities.

Risk Management

The Company has established a risk appetite framework to clarify which risks the Group should take and which it should avoid, in order to increase the achievability of the Group Management Philosophy, SOMPO's Purpose, and Group management plans.

With regard to climate change-related risk, we have established a Climate Change Risk Framework in light of the fact that climate change will impact various aspects of our Group's business, and that these impacts will be lasting and uncertain.

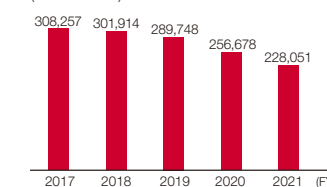
We have visualized these risks in our Climate Change Risk Map, using risk assessments that presuppose various policy shifts. The findings of this risk map are fed back into our existing risk control system framework, with the goal of enhancing our risk management.

Metrics and Targets

1) Key Metrics

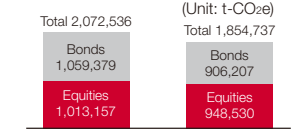
Scope 1–3 GHG emissions*1 excluding Scope 3 Category 15 (investments and loans)

(Unit: t-CO₂e)



Scope 3 Category 15*2

Absolute GHG emissions



Weighted Average Carbon Intensity

Unit: t-CO ₂ e / USD millions	
FY	Bonds
2019	119.60
2020	100.58
	121.07
	133.77

For further information about other indicators, please visit the Company website.

<https://www.sompo-hd.com/en/csr/esg/data/>

2) Key Targets

GHG reduction targets

	Scope 1–3 (excluding investments and loans)	Scope 3 Category 15 investments and loans
2025	60% reduction (compared to 2017 levels)	25% reduction (compared to 2019 levels)
2030		
2050	Net zero	Net zero

[Third-party verification]

To ensure the reliability of reported figures, Sompō Holdings has received third-party verification from Lloyd's Register Quality Assurance Limited (LRQA) for its calculations of greenhouse gas emissions (Scope 1–3) in FY 2021.

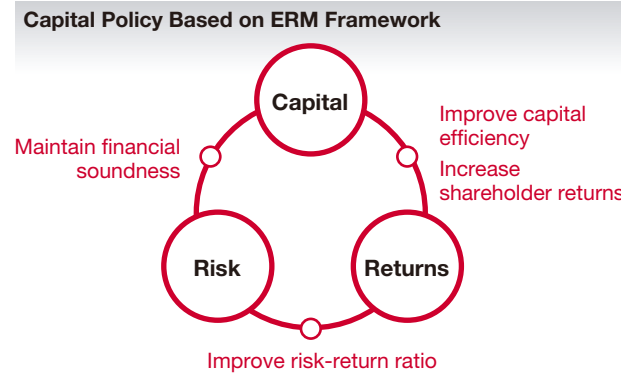
*1 Total Scope 1 (direct emissions from use of gasoline, etc.), Scope 2 (indirect emissions from energy sources, such as electricity), and Scope 3 (indirect emissions across the entire value chain, including transportation, business travel, etc.) GHG emissions. This total covers the emissions of the Company itself and of its key consolidated subsidiaries. Note that emissions for FY2017–FY2020 have been recalculated based on FY2021 calculation methodologies.

*2 Calculated for Scope 1 and Scope 2 in Japanese and foreign listed stocks and bond investees using data provided by MSCI ESG Research. GHG emissions are our share of emissions based on investee's Enterprise Value Including Cash (EVIC), and WACI is the weighted average of each investee's GHG emissions per unit sales, according to the holding percentage for that investee in our portfolio.

Group Business Foundation: Capital Policy

Basic Capital Policy

The Company's Capital Policy is based on the Enterprise Risk Management (ERM) framework, and its Basic Capital Policy is to appropriately control the balance of capital, risk, and return to achieve a number of goals: maintaining robust financial health; achieving steady improvements in capital efficiency to grow profits to a world-class level and deliver adjusted consolidated ROE of 10% or more; and ensuring attractive shareholder returns (dividends and share buybacks) commensurate with both profit and shareholder equity levels.



Improving Capital Efficiency

To sustainably boost the Group's capital efficiency, the Company has been executing M&As and other growth investments, and investing in digital technologies and other fields with high capital efficiency. To make these investments, we are using stable cash flows generated by our existing businesses, as well as capital generated by reducing risk. Through these initiatives, we aim to achieve our mid-term goals of increasing 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. We have also set individual ROE goals for each of our businesses. By monitoring the initiatives these businesses implement, we intend to improve capital efficiency and increase the adjusted profits of the Group as a whole.

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

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

The Risk Appetite Statement (RAS) outlines our medium-term risk-taking policy, and is the basis on which we carry out initiatives to improve the Group's risk profile, and steadily increase its capital efficiency. The RAS describes the approach to risk-taking we intend to take for each category of risk, based on their risk-return ratios. In line with the RAS, we will reduce strategic shareholdings that have low capital efficiency and reduce domestic interest rate

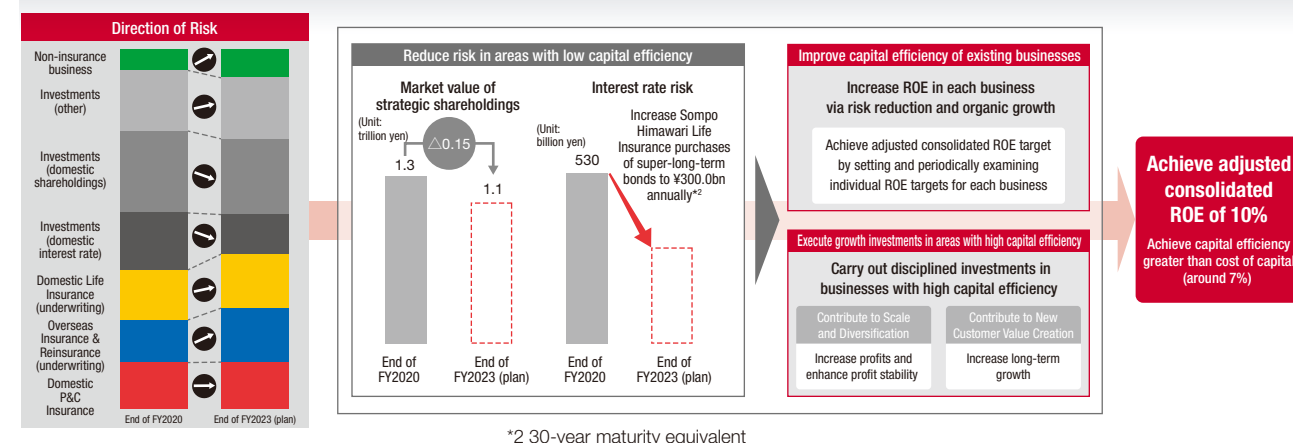
risks by strengthening ALM. Our KPIs for the current Mid-Term Management Plan include reducing strategic shareholdings by approximately ¥150 billion and purchasing ¥300 billion of super-long-term bonds annually through our Domestic Life Insurance Business. We steadily carried out these initiatives in fiscal 2021, selling strategic shareholdings to the value of ¥50.1 billion, and purchasing super-long-term bonds worth ¥329.4 billion.

As part of the current Mid-Term Management Plan, we also plan to allocate management resources worth around ¥600.0 billion to growth investments that contribute to our Scale and Diversification and New Customer Value Creation core strategies.

For our Scale and Diversification strategy, we will invest in M&As and organic growth primarily in our Overseas Insurance and Reinsurance Business, with the aim of bettering our chances of achieving our management targets. For our New Customer Value Creation strategy, we intend to invest in creating a Real Data Platform (RDP) and in companies that possess digital and other advanced technologies, as well as in the healthcare domain, with the twin aims of contributing to the resolution of social issues and boosting growth over the medium to long term.

We have established a disciplined investment framework when it comes to considering M&As: we assess the consistency of any potential deal with our business strategy, and analyze any expected synergies; we have also set a hurdle rate that takes into account the weighted average cost of capital (WACC) based on financial leverage and the industry characteristics of the acquisition target.

Improving Capital Efficiency



*2 30-year maturity equivalent

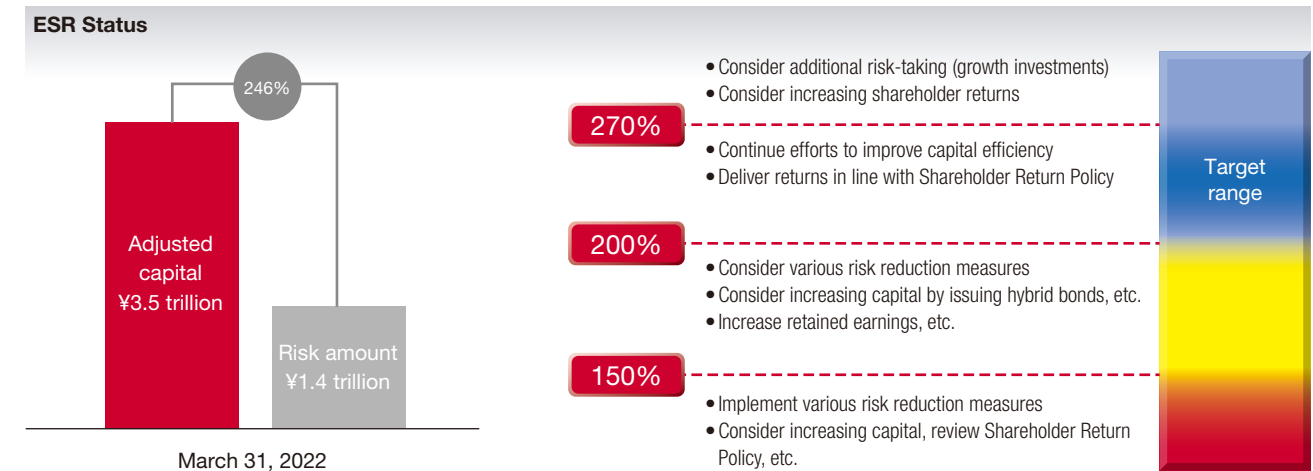
Maintaining Financial Soundness

To maintain robust financial health, the Company manages 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—an ESR of 200% to 270%—and risk tolerance as a guide to appropriate capital levels from the perspective of financial soundness and capital efficiency, and we implement appropriate capital policies according to these 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 we are working to maintain financial soundness.

As of March 31, 2022, our ESR level was 246%. This falls within our target range, indicating that our financial health is satisfactory.



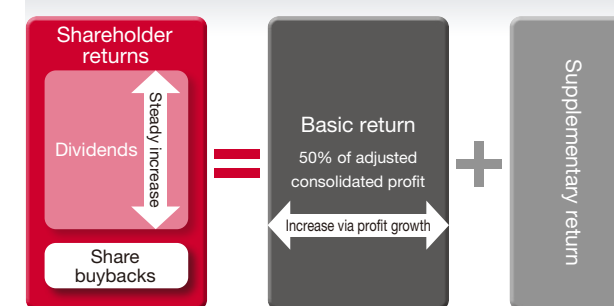
Shareholder Returns

The Company aims to provide attractive shareholder returns, in line with a basic policy to continuously increase dividends through sustainable profit growth while taking both its financial soundness and the prevailing business environment into consideration. We also maintain the option of flexibly executing share buybacks depending on share prices and capital availability.

Our Shareholder Return Policy for the current Mid-Term Management Plan stipulates a basic shareholder return rate equivalent to 50% of adjusted consolidated profit, as well as

supplementary returns depending on financial performance, the financial market environment, and capital conditions. In addition, we intend to steadily increase the total amount of returns (total dividends + share buybacks) through profit growth, increase dividends in line with this profit growth, and so raise the ratio of dividends to total payout. Based on this policy, we project an annual dividend of ¥260 per share in fiscal 2022, which comprises an interim dividend of ¥130 and a year-end dividend of ¥130. This marks an increase of ¥50 from fiscal 2021, and is the ninth consecutive year of dividend increases.

Shareholder Return Policy



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

- When ESR constantly exceeds the target range
- When it is required to maintain the previous fiscal year's level of return, in cases where adjusted profit declines due to one-time factors such as natural disasters
- When growth investments such as large-scale M&As are not expected
- When improved capital efficiency, etc., is deemed necessary

History of Shareholder Returns

