

# Determination of TOB for Message and Nursing Care Business Strategy

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December 18, 2015

Sompo Japan Nipponkoa Holdings, Inc.



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# Key Points

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Determine TOB  
for Message.

Today (on December 18, 2015), we determined to conduct the tender offer (TOB) for Message Co., Ltd. (“Message” hereafter).

Realize  
management  
Philosophy.

By making Message a consolidated subsidiary, we can realize our management philosophy of evolving into the best customer service provider that contributes security, health, and wellbeing of our customers.

Establish a  
position in nursing  
care business.

We aim to secure a differentiated position in nursing care business, which is expected to grow to an approximately ¥20 trillion market in 2025.

Improve  
corporate value.

This investment meets our investment criteria, and enhances our corporate value.

# Overview of the Tender Offer

## Process of the tender offer

### First tender offer

Tender Offer Period: From Monday, December 21, 2015 through Monday, January 25, 2016

Date of Public Notice: Monday, December 21, 2015

Tender Offer Price: ¥2,500\*<sup>2</sup>  
(6.2% premium against closing price on December 17)

Shareholding Ratio\*<sup>1</sup>: (before the tender offer) 3.50%  
(after the tender offer) 38.19% to 50.00%

Settlement Date: Thursday, January 28, 2016

- The First Tender Offer targets the shares held by the following Prospective Tendering Shareholders who have entered into the Tender Offer Agreement with us.

	Number of Shares Held	Shareholding Ratio* <sup>1</sup>
Yugen Kaisha Higashiune Shoji	5,800,000 shares	28.88%
Ms. Takae Hashimoto	600,000 shares	2.99%
Mr. Toshiaki Hashimoto	564,800 shares	2.81%
Total	6,964,800 shares	34.69%

### Second tender offer

Tender Offer Period: From Friday, January 29, 2016 through Monday, February 29, 2016

Date of Public Notice: Friday, January 29, 2016

Tender Offer Price: ¥3,500\*<sup>2</sup>  
(48.7% premium against closing price on December 17)

Shareholding Ratio\*<sup>1</sup>: (before the tender offer) 38.19% to 50.00%  
(after the tender offer) 38.19% to 100.00%

Settlement Date: Monday, March 7, 2016

- The Second Tender Offer targets the shares held by shareholders of Message other than Prospective Tendering Shareholders for the First Tender Offer.
- We intend to maintain Message's share listing on JASDAQ; from the perspective of ensuring the opportunity for shareholders of Message other than Prospective Tendering Shareholders who wish to sell shares of Message, no maximum or minimum number will be set with respect to the number of shares intended to be purchased.

\*1 The holding ratio of our group to the total issued shares of Message as of September 30, 2015, as set forth in Message's 19th Business Period Second Quarterly Report.

\*2 Prospective Tendering Shareholders are willing to sell their shares at a price per share lower than the price to be offered by us to shareholders of Message other than Prospective Tendering Shareholders. (As to the details, please refer to page 9.)

# Purpose of this Investment

Establish a top class position in the sector.

Message provides a broad range of nursing care services, such as facility-based and at-home nursing care. By making Message a consolidated subsidiary, we aim to establish a structure that can provide a full range of nursing care services and to acquire a top class position in the nursing care sector.

Keep financial soundness and enhance corporate value.

The impact on internal solvency ratio is limited, so we can keep our financial soundness. By allocating capital to nursing care business with high growth and capital efficiency, we can realize enhancement of our corporate value (ROE).

Expand the number of customers.

By utilizing the customer base of SOMPO Holdings and generating synergies with the insurance business, we will establish a differentiated business model from our competitors, and expand the number of customers as a group.

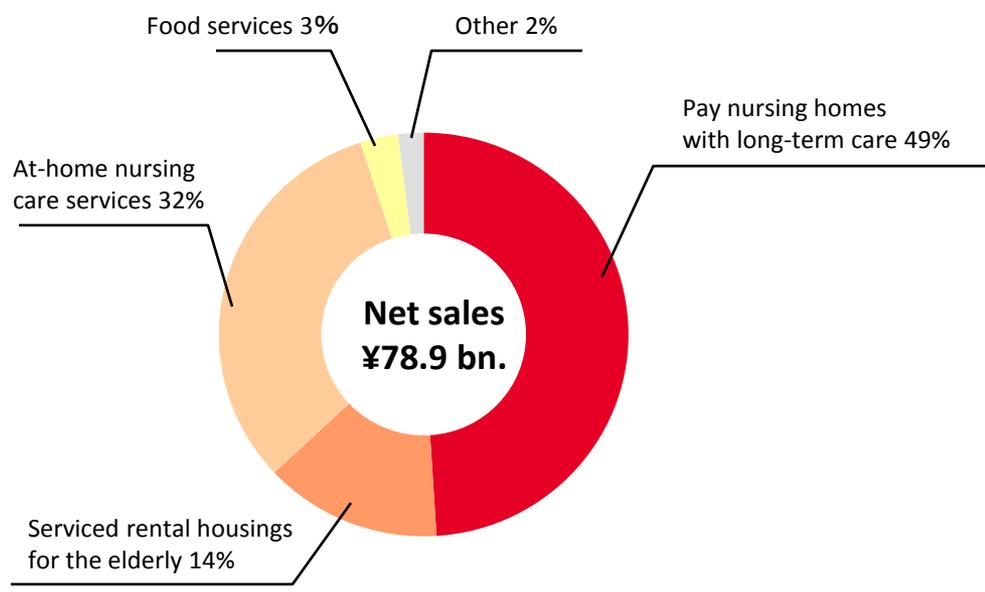
# Overview of Message (1)

◆ Competitive nursing care service provider, providing a broad range of nursing care services, such as facility-based and at-home nursing care services.

## Overview of Message

- Year established: 1997
- Head office: Okayama-shi, Okayama  
(Listed on JASDAQ)
- Number of employees: 7,227  
(Excluding temporary employees)
- Net sales: ¥78.9 billion
- Net income: ¥4.3 billion
- Total assets: ¥59.1 billion
- Net assets: ¥29.6 billion

## Breakdown of net sales (FY2014)

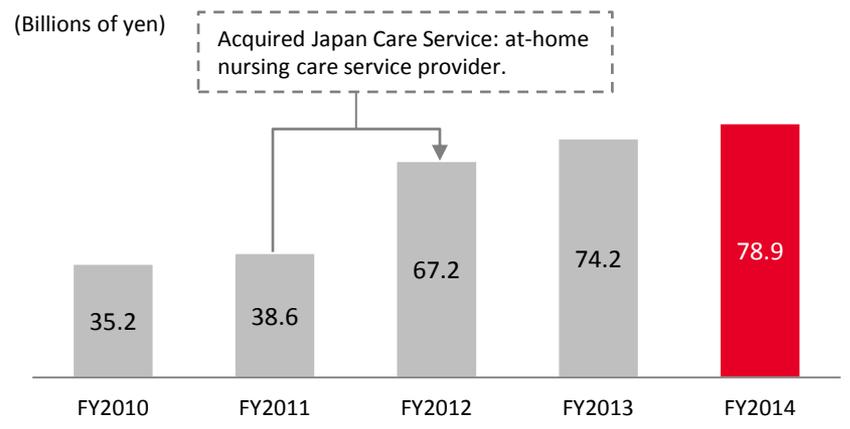


\* as of the end of FY2014

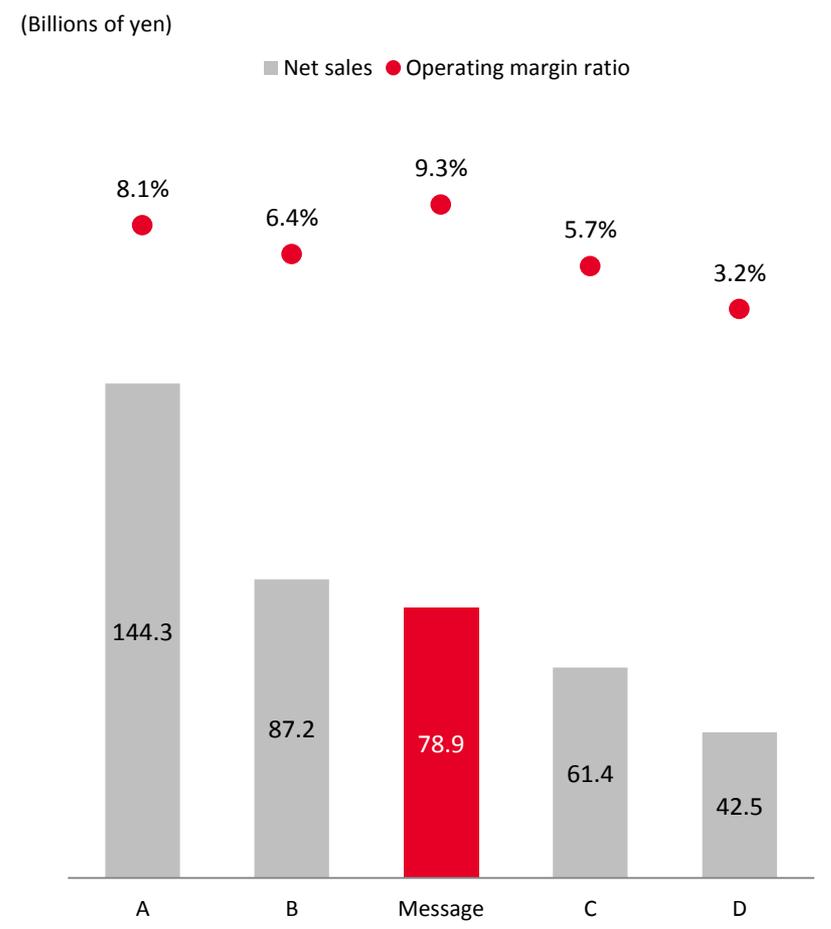
# Overview of Message (2)

◆ Expand net sales and net income year by year, and achieve high profitability and capital efficiency.

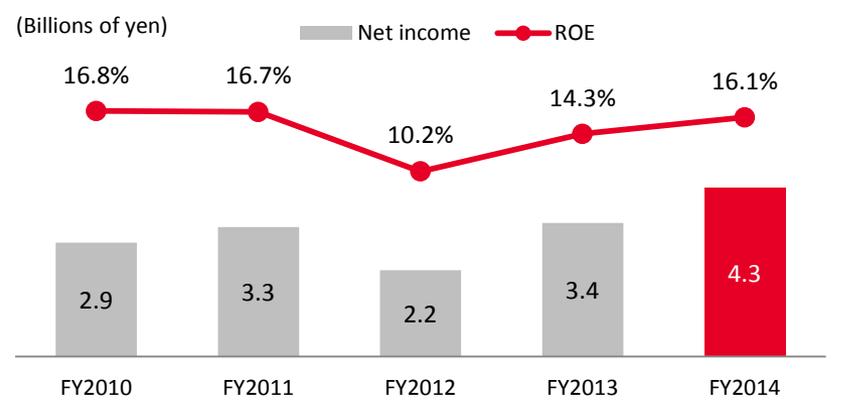
## Trends of net sales



## Comparison of operating margin ratio (FY2014)



## Trends of net income and ROE



# Nursing Care Business of SOMPO Holdings

◆ Structured system to provide a full range of nursing care services by acquiring Message: the second highest net sales volume in the nursing care sector.

## Nursing care business of the Group

<b>SOMPO Holdings</b>	<ul style="list-style-type: none"> <li>Initiated special department of nursing care within SOMPO Holdings.</li> <li>Structured system to provide a full range of services as a Group</li> </ul>	
<b>Facility-based nursing care</b>	Message	Runs 183 pay nursing homes mainly in the low to mid-price range and 121 serviced rental housing for the elderly.
	SOMPO Care Next	Runs 111 pay nursing homes mainly in the mid-price range in metropolitan areas.
	Cedar*1	Runs 37 pay nursing homes mainly in the low price range.
<b>At-home nursing care</b>	Message	Runs 422 offices providing at-home services, such as home-visit care.
	Cedar*1	Runs day service centers. (strength in rehabilitation)

## Net sales ranking in FY2014

1	A	¥144.3 bn.
Total of 2 companies		¥114.3 bn.
2	B	¥87.2 bn.
3	Message	¥78.9 bn.
4	C	¥61.4 bn.
5	D	¥42.5 bn.
6	SOMPO Care Next	¥35.4 bn.
7	E	¥33.2 bn.
8	F	¥18.3 bn.
9	Cedar*1	¥10.7 bn.

\*Number of facilities and offices are as of the end of March 2015.

\* Only listed nursing care services providers

\*1 We acquired 34% stakes of Cedar in September 2012.

# Future Prospects

- ◆ Enhance profitability of existing businesses and internal control system by allocating management resources of SOMPO Holdings.
- ◆ Aim to acquire a top position in the nursing care sector in the future, and provide services that contribute to security, health, and wellbeing of our customers.

## Mid-term strategy

### Business development

- Focus on existing offices for facility-based services.
- Enhance at-home services by proactive offering of “Z Amille\*1” of Message.
- Utilize our customer base and generate synergies with insurance business.

### Quality improvement

- Enhance internal control system by utilizing our group’s knowhow of governance, compliance and risk management.
- Secure human resources and improve their treatment by utilizing our group brand.
- Utilize ICT and digital technologies.

### Efficiency improvement

- Utilize group-wide systems.
- Consider to unify back-office operation gradually.



## Our vision (Direction)

Enlarge business size mainly in the metropolitan area.

- Establish a top level business base in the industry mainly in the metropolitan area, where rapid increase of demand for nursing care service is anticipated.

Expand at-home nursing care service.

- Expand the functions of Z Amille and comprehensively provide nursing care and living support services.
- Support the environment under which our customers can continue their lives with ease in a community familiar to them.

Collaborate with other industries, etc.

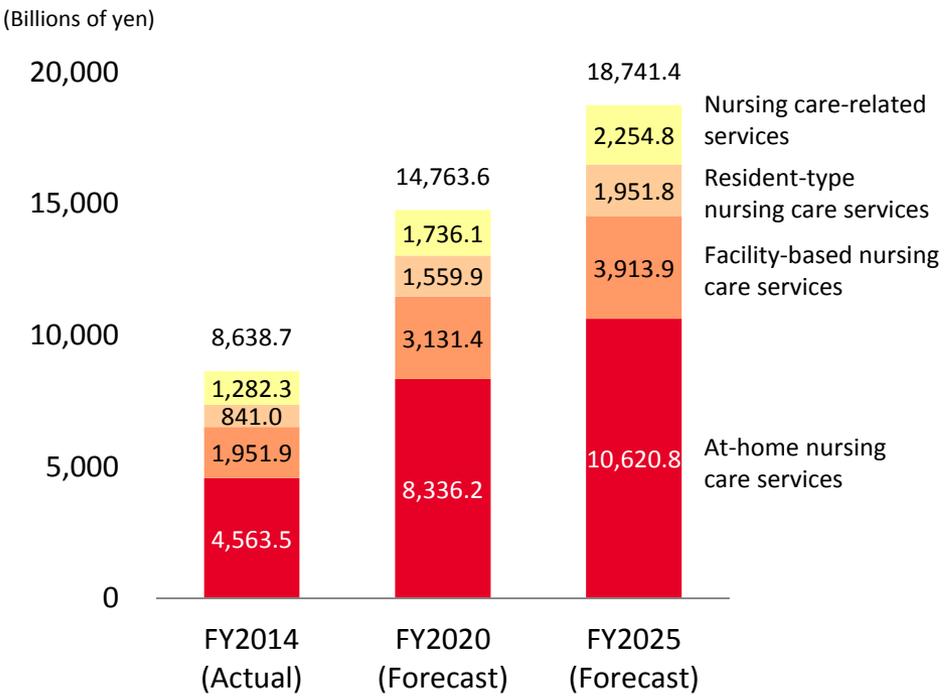
- Provide comprehensive services comprised of medical service, nursing care service, precaution and living support, by collaborating with local medical institutions and leading companies of other industries, and utilizing services provided by our health care subsidiaries.

\*1 Flat fee service with the concept to provide at-home services equivalent to those provided at pay nursing homes; the services covered by the public nursing care insurance (periodic visit, home-visit care and nursing care on an as needed basis) and the services not covered by the public nursing care insurance (meal delivery, living support, etc.) are provided in combination.



# (Reference ) Situation of Nursing Care Market

## Estimated scale in the future of the nursing care market in which private operators can participate



■ Breakdown of each segment:  
 At-home nursing care services: Home -visit, day service, short-term admission for recuperation, etc.  
 Facility-based nursing care services: Pay nursing homes with long-term care and group homes  
 Residence-type nursing care services: Residence-type pay nursing homes and serviced rental housings for the elderly  
 Nursing care-related services: Nursing care goods, welfare equipment, private nursing care insurance, meal delivery, etc.

Source: Prepared based on “Present Situation and Future Prospect of the Public Nursing Care Insurance System” and “Survey of Long Term Care Benefit Expenditures” by the Ministry of Health, Labour and Welfare; “Estimated Figures of Expenses Related to Social Security” by Ministry of Finance; “Present Situation and Future Prospect of Welfare-related Markets 2014” by Fuji Keizai Co., Ltd.; and “Data Service Concerning Housing for Elderly People for the First Six Months of 2014” by Tamura Planning & Operating (Estimated figures) .

## Year 2025 Problem

- Year 2025 problem
  - Super-aging society (Ratio of elderly people of age 65 or older will exceed 30%)
  - Decrease of the number of insured persons under the public nursing care insurance system (age 40 or older)
  - Deviation of aging pace from region to region (aging will be more rapid in urban areas.)
  - Increase of elderly people with dementia
  - Shortfall of human resources for nursing care work



■ Reform model for 2025 (portions related to nursing care)  
 Ministry of Health, Labour and Welfare will implement following measures to cope with the year 2025 problem:

- Establish the Integrated Community Care System focusing on at-home nursing care, and promote collaboration between medical care and nursing care.
- Limit use of facilities mainly for elderly people who require middle-to-heavy nursing care (at-home nursing care will increase.)

# (Reference) Major Financial Figures of Message

(Billions of yen)

	FY2010	FY2011	FY2012	FY2013	FY2014
Sales	35.2	38.6	67.2	74.2	78.9
Operating income	5.6	5.8	5.3	6.6	7.3
Ordinary income	5.9	6.2	4.7	6.4	6.9
Net income	2.9	3.3	2.2	3.4	4.3
Total assets	38.7	55.8	56.6	58.2	59.1
Net assets	19.0	21.7	23.0	25.9	29.6
ROE	16.8%	16.7%	10.2%	14.3%	16.1%

## Note Regarding Forward-looking Statements

The forecasts included in this document are based on the currently available information and certain assumptions that we believe reasonable. Accordingly, the actual results may differ materially from those projected herein depending on various factors.

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