



**SOMPO  
HOLDINGS**

Innovation for Wellbeing

IR Meeting Presentation

# Progress of Mid-term Management Plan and Direction of Management Strategy

November 26, 2018  
Sompo Holdings, Inc.





# Table of Contents

## 1. Group management

Progress of Group management and direction of mid-term strategy	4
Progress of mid-term management plan (1) – Group	5
Progress of mid-term management plan (2) – Businesses	6
Progress of mid-term management plan (3) - Shareholder return	7
Progress of mid-term management plan (4) -Achievements of first half of mid-term management plan	8
Direction of mid-term strategy (1) -Group qualitative evolution (Transformation)	9
Direction of mid-term strategy (2) -Direction of business and strategy, and steady growth	10
(Reference) Group common initiatives	11
Direction of mid-term strategy (3) - Robust financial base and capital allocation	12
Business portfolio transformation	13

## 2. Businesses

### Domestic P&C insurance

Progress of domestic P&C insurance	15
Key points for domestic P&C insurance	16

### Overseas insurance

Progress of overseas insurance	17
Key points for overseas business	18

### Domestic life insurance

Progress of domestic life insurance	19
Key points for domestic life insurance	20

### Nursing care & healthcare, etc.

Progress of nursing care & healthcare, etc.	21
Key points for nursing care business	22

## 3. Reference

Group asset management	24
Penetration and progress of ERM management	25
Enhance corporate value through advanced initiatives for ESG	26
Stock price (Total shareholder return)	27
Numerical management targets, etc.	28

# **1. Group management**

- Progress of Group management and direction of mid-term strategy
- Progress of mid-term management plan
- Direction of mid-term strategy
- Business portfolio transformation

## **2. Businesses**

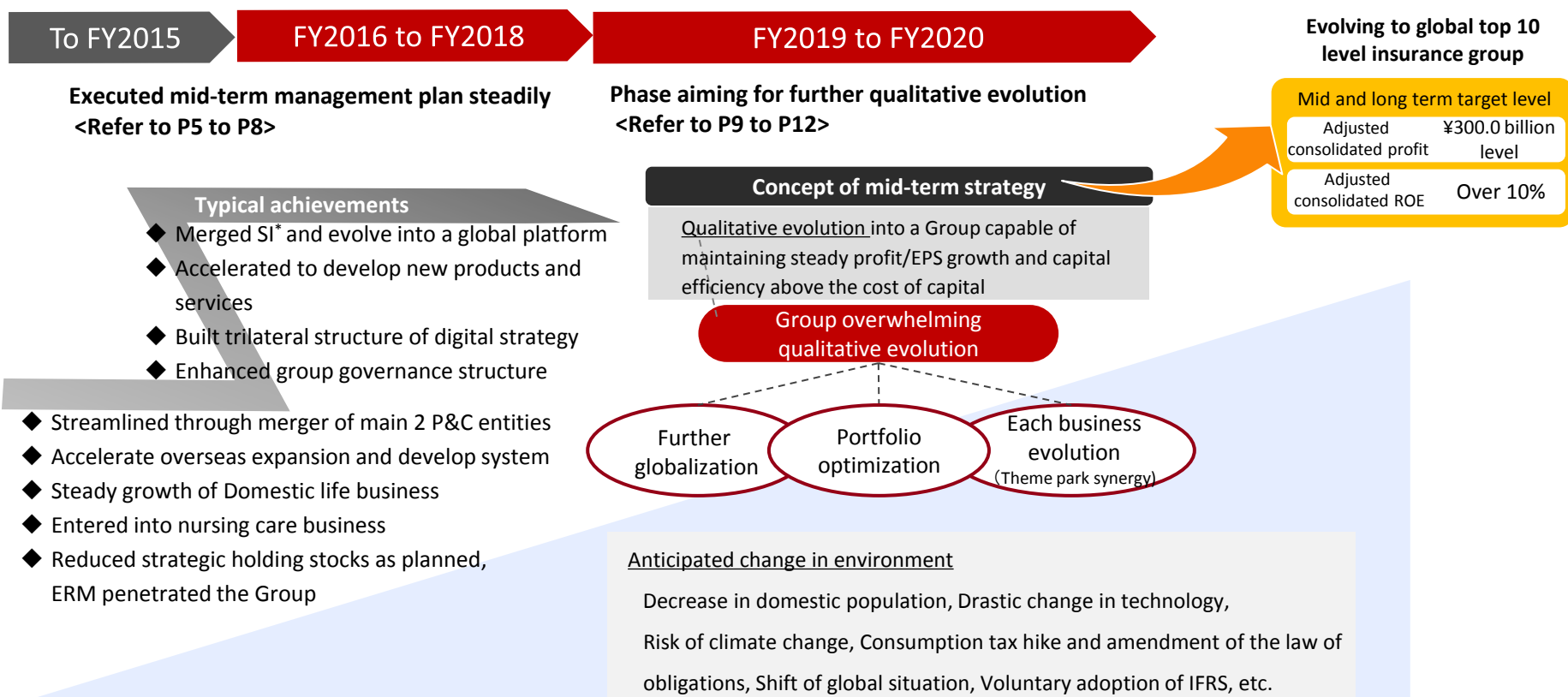
- Domestic P&C insurance
- Overseas insurance
- Domestic life insurance
- Nursing care & healthcare, etc.

## **3. Reference**

# Progress of Group Management and Direction of Mid-term Strategy

- ◆ While we steadily execute our strategies, in light of the external environment and other factors, we recognize the need for further qualitative evolution on a Group-wide basis.
- ◆ Achieve evolution contributing to business expansion and higher efficiency, and aim at long-term sustainable and stable growth.

## Achievements so far and concepts of mid-term strategy

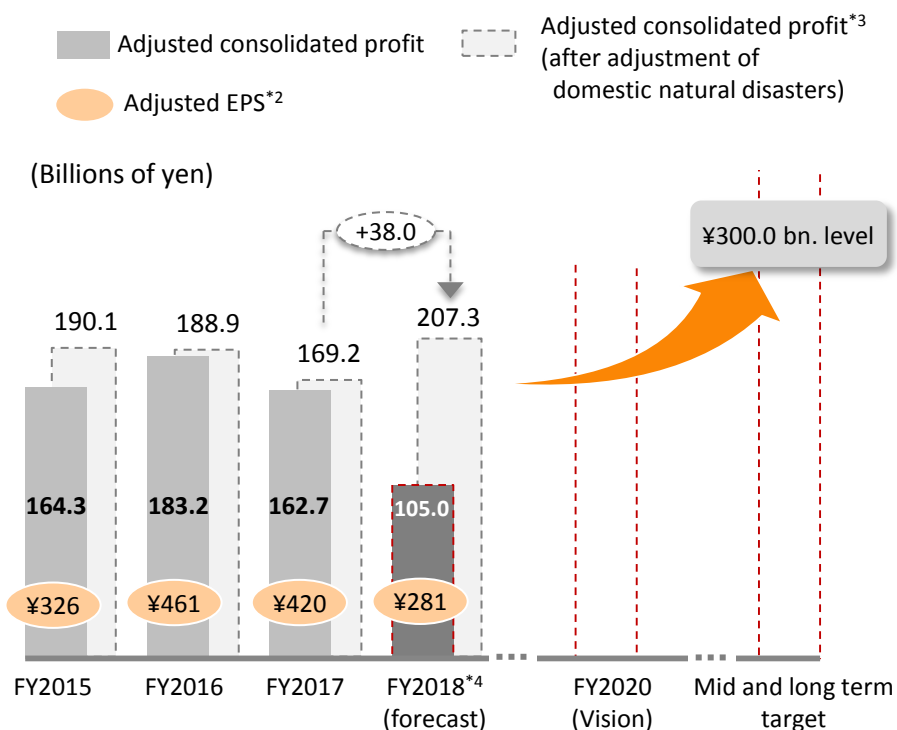


\* SI stands for Sompo International

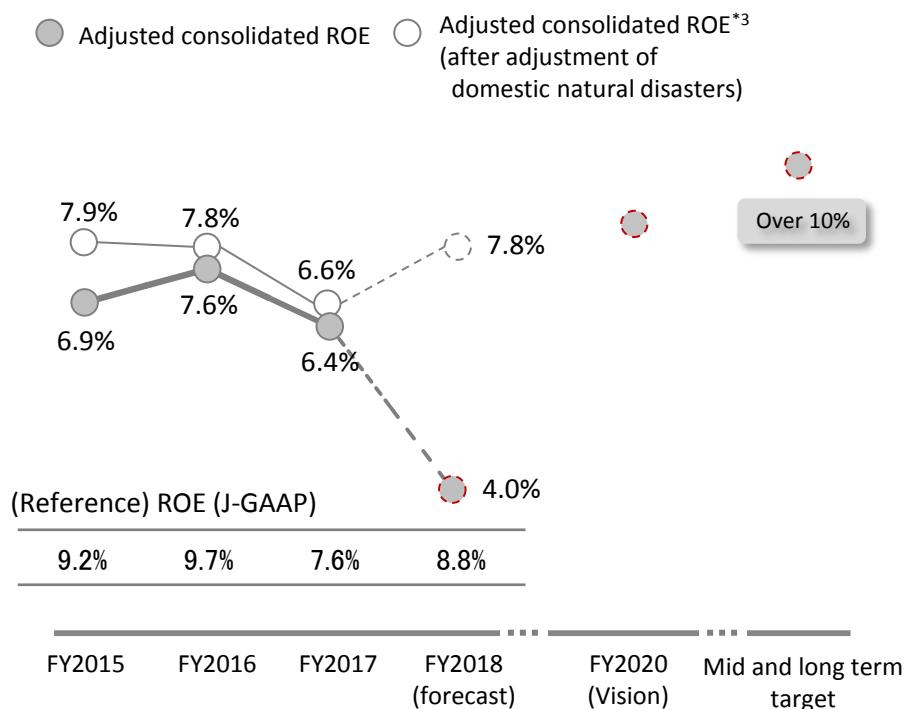
# Progress of Mid-term Management Plan (1) – Group

- ◆ While executed strategy steadily, mid-term management plan progressed as planned. (Deliver higher earnings in FY2018 after adjusting domestic natural disasters)
- ◆ By achieving the Group's qualitative evolution, aim at enhancing adjusted consolidated profit, EPS and capital efficiency further.

## Adjusted consolidated profit\*1



## Adjusted consolidated ROE\*1



\*1 See page 28 for definitions of adjusted consolidated profit and adjusted consolidated ROE.

(Reference) Adjusted consolidated net assets (average balance of beginning and end of FY)

FY2015: 2,378.3, FY2016:2,403.3, FY2017:2,553.9, FY2018(forecast):2,611.8 (billions of yen)

\*2 Adjusted EPS = adjusted consolidated profit / the number of issued stocks (excluding portion of share buy-back, etc.)

\*3 Revised adjusted consolidated profit and adjusted consolidated ROE, assuming an incurred loss on domestic natural disasters of ¥48.0 billion (equivalent to the historical average and estimated amount in initial forecasts for FY2018)

\*4 Adjusted consolidated profit of 1H FY2018 actual is ¥28.3 billion

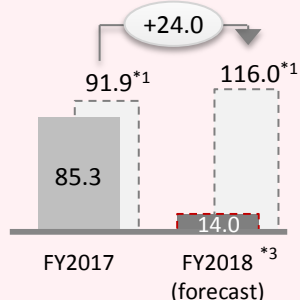
# Progress of Mid-term Management Plan (2) – Businesses

◆ While bottom-line of each business steadily expands, aim at qualitative evolution.

## Adjusted profit by segment and typical key factors

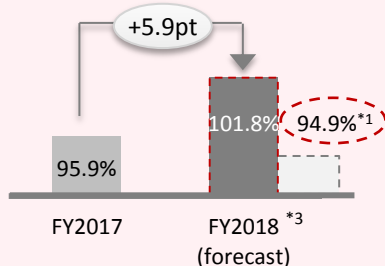
### Adjusted profit (Billions of yen)

Increase profit after adjustment of domestic natural disasters



### Combined ratio<sup>\*2</sup>

Accelerating proper pricing and higher efficiency, aim at the target level (92% to 94%)



<sup>\*1</sup> Revised number, assuming an incurred loss of ¥48.0 billion and net claims paid of ¥43.0 billion on domestic natural disasters (equivalent to the historical average and estimated amount in initial forecasts for FY2018)

<sup>\*2</sup> excl. CALI, household earthquake

<sup>\*3</sup> 1H FY2018 actual: adjusted profit -¥19.4 bn., combined ratio 95.5%

Domestic P&amp;C

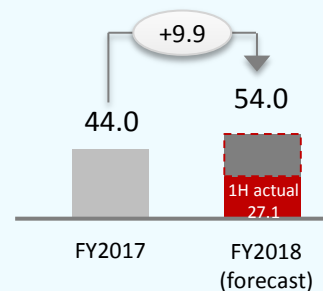
Overseas

Domestic Life

Nursing care &amp; healthcare, etc.

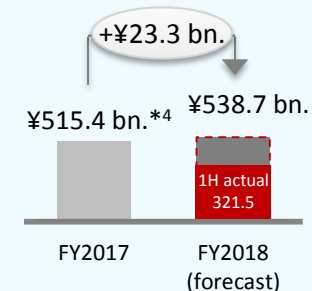
### Adjusted profit (Billions of yen)

Achieve organic growth of profit



### Premium written

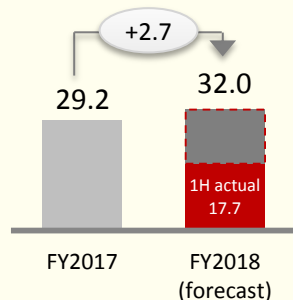
Premium written expand centered in specialty line on global base



<sup>\*4</sup> excl. Sompo Canopus portion

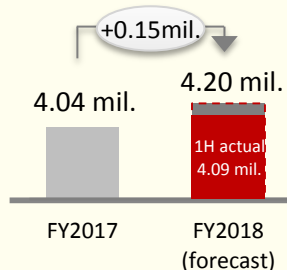
### Adjusted profit (Billions of yen)

Increase profit steadily mainly based on expansion of policies in force



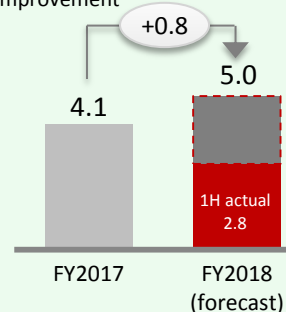
### Policies in force

Partly due to launching new product, policies in force expand



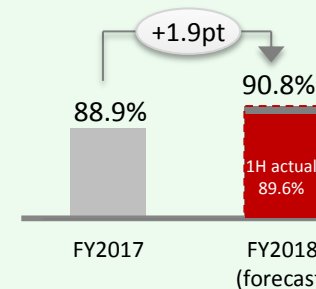
### Adjusted profit (Billions of yen)

increase in light of occupancy rate improvement



### Occupancy rate<sup>\*5</sup>

Steadily improve



<sup>\*5</sup> Sum of former SOMPO Care and SOMPO Care Next

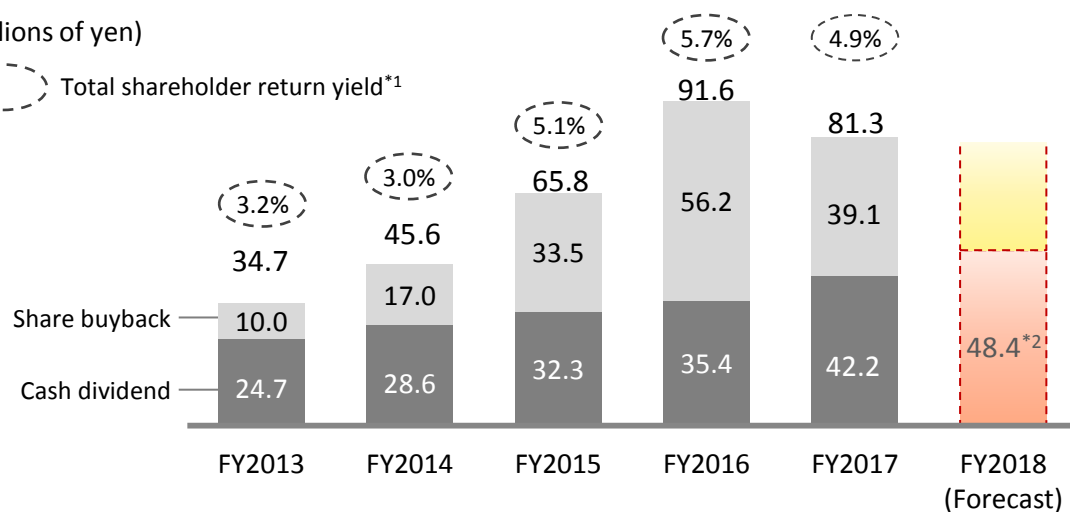
# Progress of Mid-term Management Plan (3) – Shareholder Return

- ◆ Projected to raise DPS in FY2018 for 5<sup>th</sup> consecutive years. Execute share buyback steadily taking into account stock price, etc. (Decided to cancel treasury stocks)

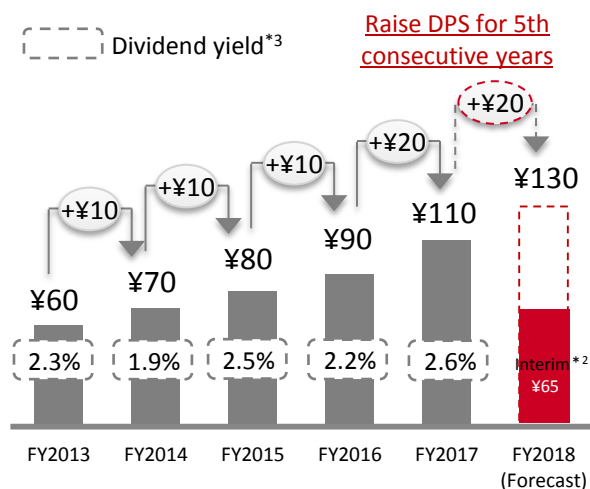
## History of shareholder returns

(Billions of yen)

○ Total shareholder return yield\*1



## (Reference) DPS



Adjusted consolidated profit	15.8	90.8	132.0	183.2	162.7	105.0
Total payout ratio*4	220%	50%	50%	50%	50%	—
(Reference) Share price (End of fiscal year)	¥2,652	¥3,735	¥3,188	¥4,079	¥4,282	—

Plan to consider flexibly total payout ratio of FY2018 depending on the situation

★ November 2018: In light of voices of the market, decided to cancel all treasury stocks (equivalent to 10.12%)

## Shareholder return policy

Aim at attractive shareholder return through stable dividend and flexible share buyback, taking into account relative level of dividend yield or DPS growth. (Target level of total payout ratio: around 50%\*4 over medium term.)

Determine balance of dividends and share buybacks based on stock price and dividend yield, etc.

\*1 Total shareholder return yield = (Cash dividend + Share buyback) / Market cap. as of end of FY

\*2 The Interim dividend is ¥24.2 billion (DPS ¥65) (approved)












\*3 Dividend yield = Cash dividend / Market cap. as of end of FY

\*4 Total payout ratio = (Cash dividend + Share buyback) / Adjusted consolidated profit



# Progress of Mid-term Management Plan (4) - Achievements of First Half of Mid-term Management Plan

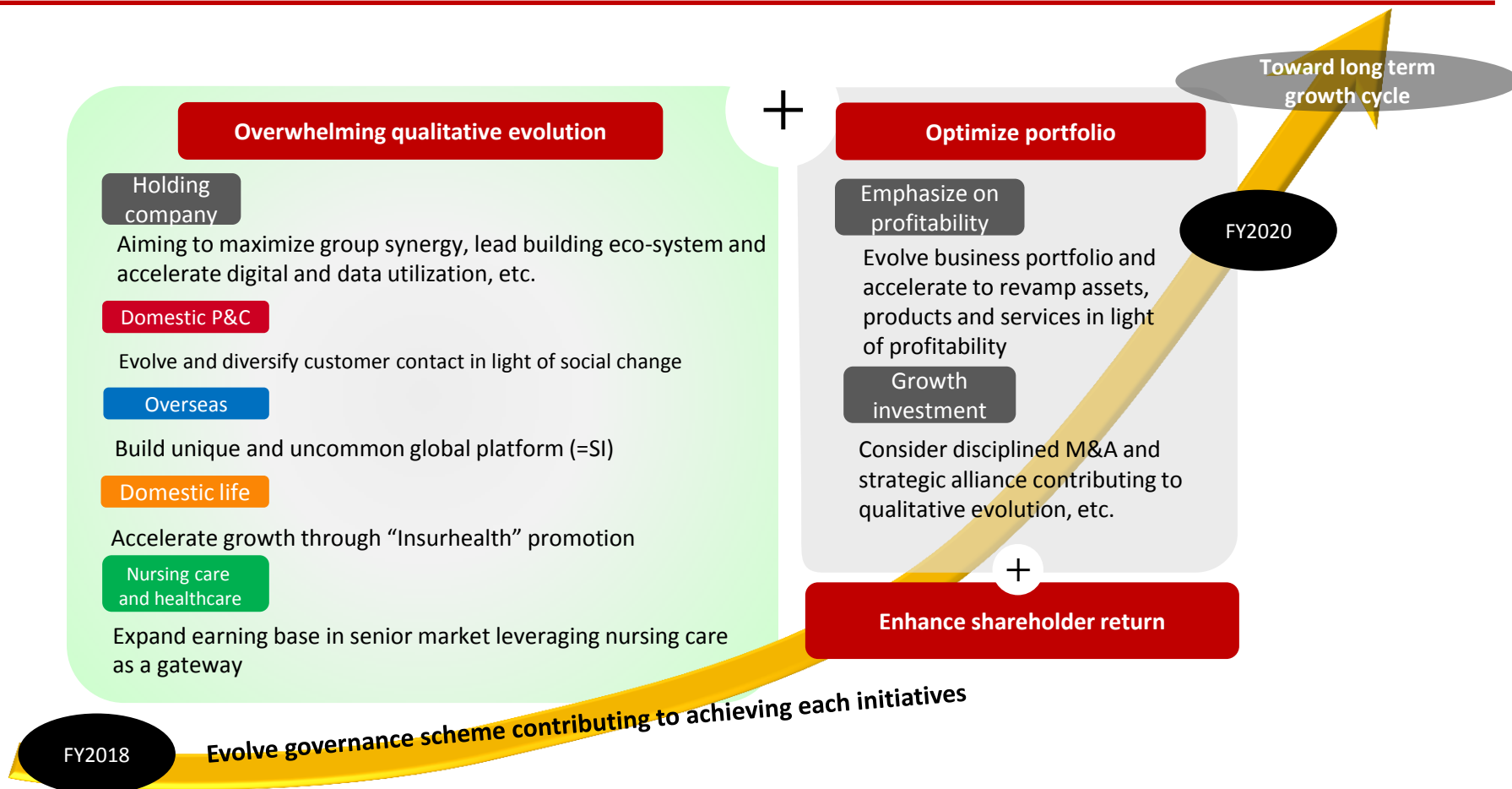
◆ Executed strategies related to main missions in initial plan and achieved a lot of fruitful results.

	Main missions in initial plan	Typical achievements	
<b>Domestic P&amp;C</b>	Achieve higher operating efficiency at global top level	<ul style="list-style-type: none"> <li>Optimized distribution channel</li> <li>Enhanced efficiency with AI, etc.</li> <li>Allied strategically with innovative players targeting the creation of new business models and sources of earnings</li> </ul>	 
<b>Overseas Insurance</b>	Organic growth and accelerate growth with M&A	<ul style="list-style-type: none"> <li>Achieved dramatic growth in profit through the acquisition of former Endurance, and develop and optimize the overseas portfolio through the sale of Canopus</li> <li>SI evolved into a global platform</li> </ul>	
<b>Domestic life</b>	Challenge to integrate product, service and channel, expand policies in force	<ul style="list-style-type: none"> <li>Expanded policies in force centered on highly profitable medical insurance</li> <li>Developed epoch-making "Insurhealth" product such as new income compensation insurance and dementia insurance</li> </ul>	  
<b>Nursing-care and healthcare, etc.</b>	Stabilize profit by enhancing quality and efficiency	<ul style="list-style-type: none"> <li>Become profitable while enhancing quality and efficiency as well as improving occupation rate</li> <li>Built eco-system of dementia as the center, and create group synergy</li> </ul>	
<b>Digital, etc.</b>	Enhance competitive advantage through strengthening customer contact with advanced technology, etc.	<ul style="list-style-type: none"> <li>Built a digital trilateral structure</li> <li>Promoted existing business reshape and new business through strategic alliances, etc.</li> </ul>	   

# Direction of Mid-term Strategy (1) - Group Qualitative Evolution (Transformation)

- ◆ Seek to achieve the Group's qualitative evolution in order to continuously attain an ROE above the cost of capital as well as EPS growth.
- ◆ Strive to optimize the Group portfolio by allocating capital with an emphasis on profitability, reflecting enhanced use of return on risk (ROR), etc.

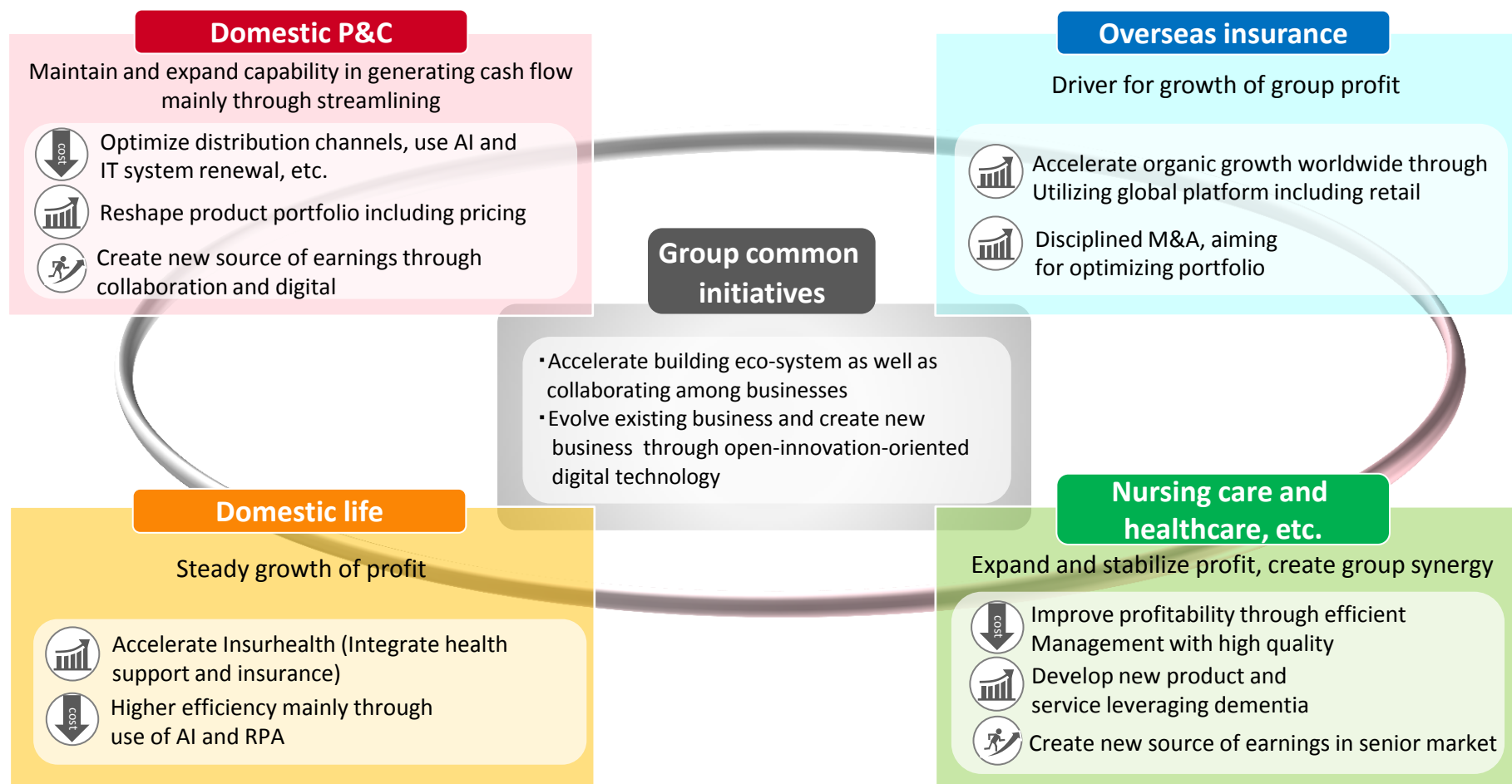
## Qualitative evolution to aim for



## Direction of Mid-term Strategy (2) - Direction of Business and Strategy, and Steady Growth

◆ Aim to complete qualitative evolution in each business to achieve sustainable growth of the Group.

### Direction of business and strategy

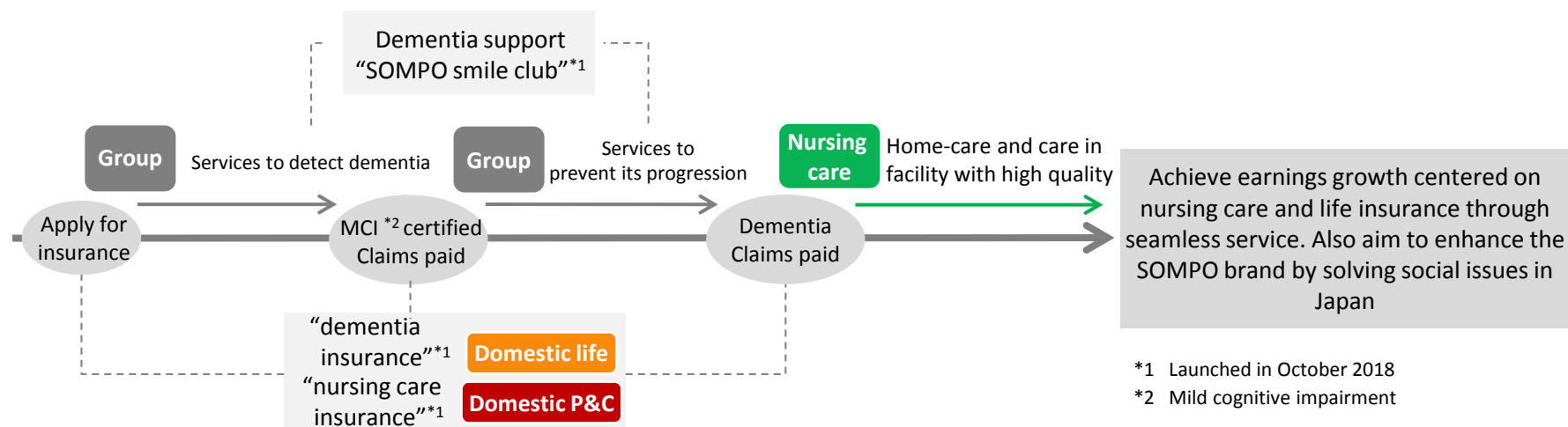


# (Reference) Group Common Initiatives

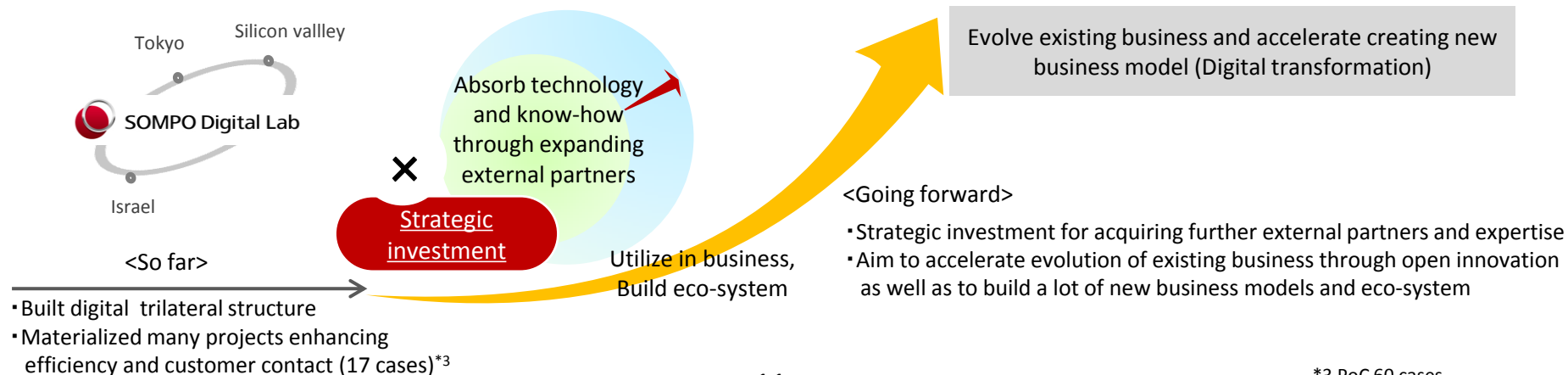
## Example: Initiatives to create group synergy linked with each business

Built eco-system centered on dementia prevention, and provide seamless services of the Group at each life stage

Going forward, aim for building a lot of eco-system and expanding group synergy



## Accelerate digital strategy

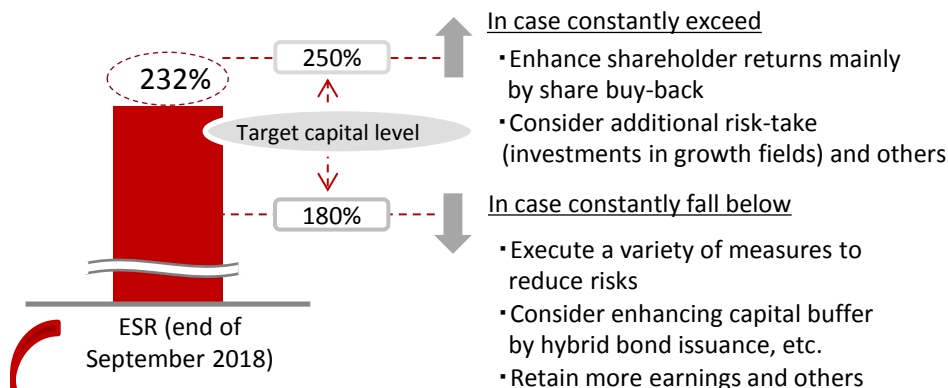


## Direction of Mid-term Strategy (3) - Robust Financial Base and Capital Allocation

- ◆ Maintain and enhance a robust financial base under strict risk controls as a solid foundation for strategies.
- ◆ Based on proper balance sheet management, aim for maintaining both attractive shareholder return and disciplined growth investment.

### Financial base and risk control

Plan to maintain and enhance robust financial soundness mainly through accumulating profit and reducing strategic holding stocks



### Capital allocation (1) Direction of shareholder return

- While growth of group profit, aim to enhance shareholder return
- Dividend**
- Basically stable dividend
  - Aim at increasing trend with profit expansion
- Share buyback**
- Dynamically execute transactions as a means of adjusting capital, taking into account the stock price level

### Capital allocation (2) Direction of growth investment

Continue strictly disciplined manner, plan to capture global investment chance contributing to achieving higher ROE selectivity.

- **Major M&A** mainly professional team consider cases contributing to profit expansion and higher ROE
- **Bolt-on type M&A** Mainly SI consider with specific intension such as diversification of geography and lines
- **Strategic alliance (worldwide)**
  - Build eco-system with external partners
  - Based on customer needs, develop new services, etc.

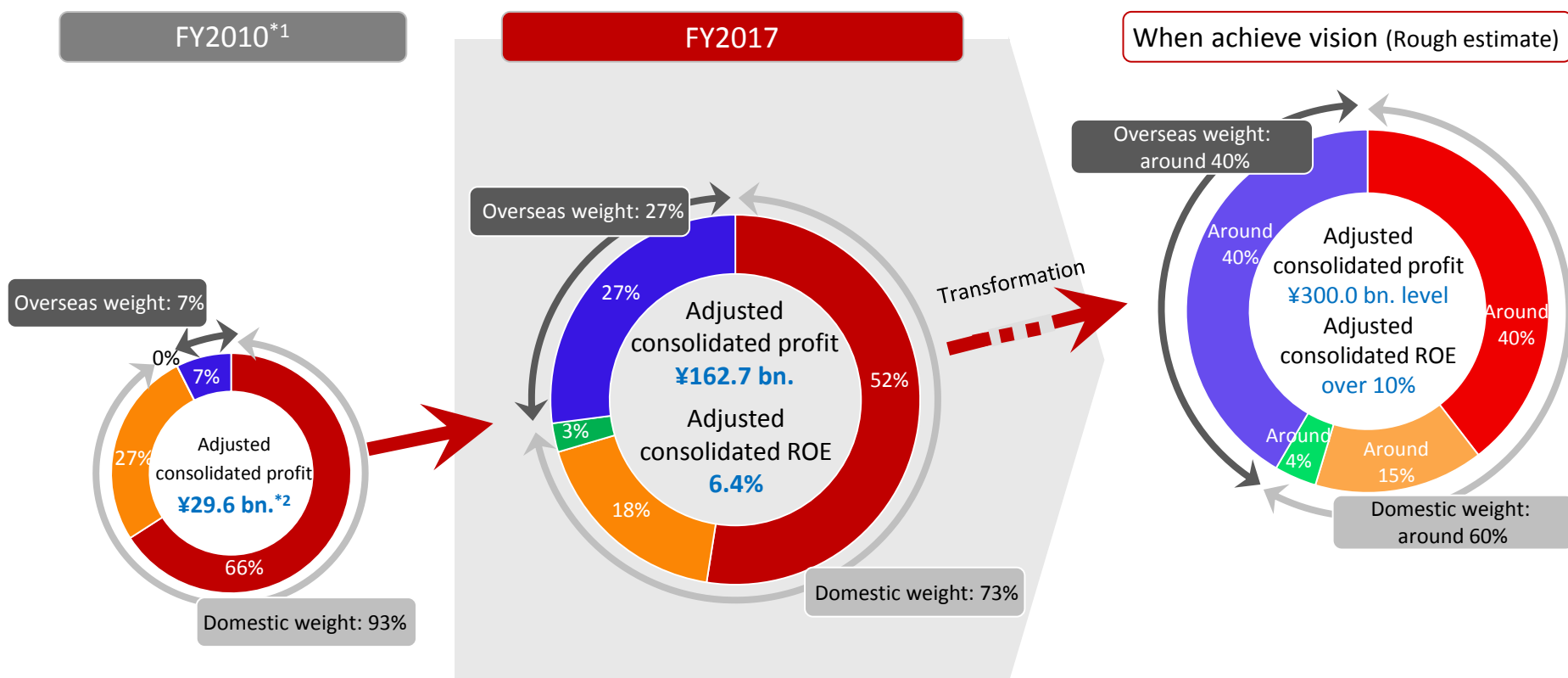


# Business Portfolio Transformation

◆ Progress risk diversification of entire group, aim to achieve well-balanced business portfolio.

## Vision of optimizing business portfolio

■ Domestic P&C   
 ■ Overseas Insurance   
 ■ Domestic Life   
 ■ Nursing care & healthcare, etc.



\*1 FY of SOMPO holdings establishment

\*2 Estimation based on current definition of adjusted profit

## 1. Group management

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## 2. Businesses

- Domestic P&C insurance
- Overseas insurance
- Domestic life insurance
- Nursing care & healthcare, etc.

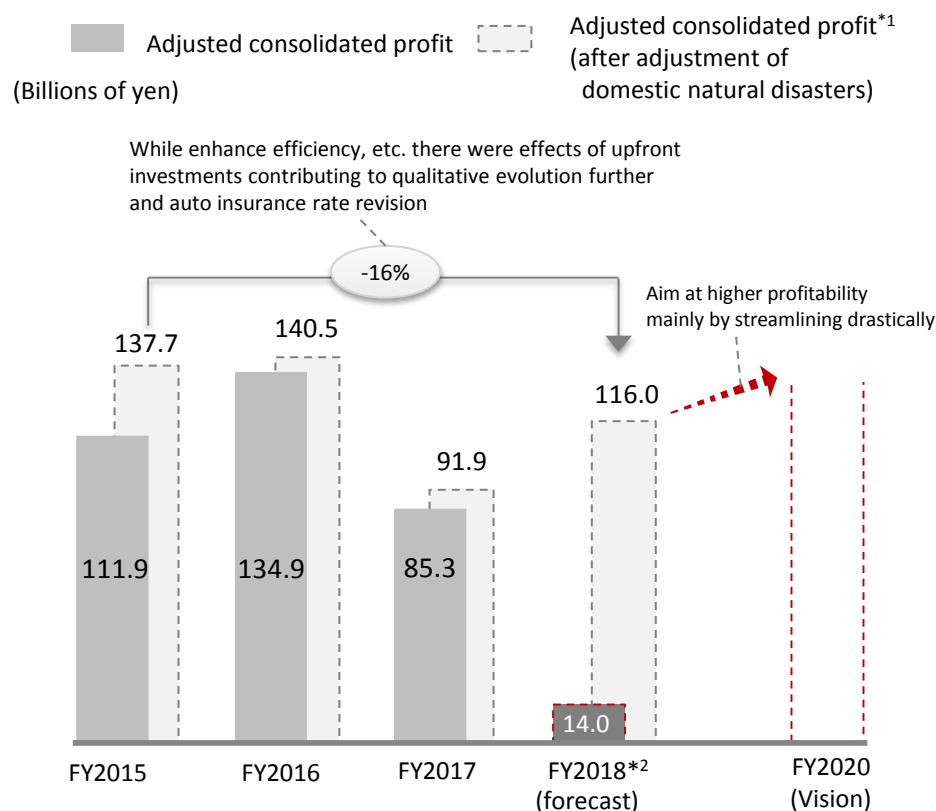
## 3. Reference

Domestic P&C	Overseas
Domestic life	Nursing care & healthcare, etc.

# Progress of Domestic P&C Insurance

- ◆ Aim at further profit growth and stability in preparation for future environmental changes by achieving qualitative evolution and higher operating efficiency through upfront investments such as AI, RPA and IT system and reform of the product portfolio through optimizing premium rates thoroughly.

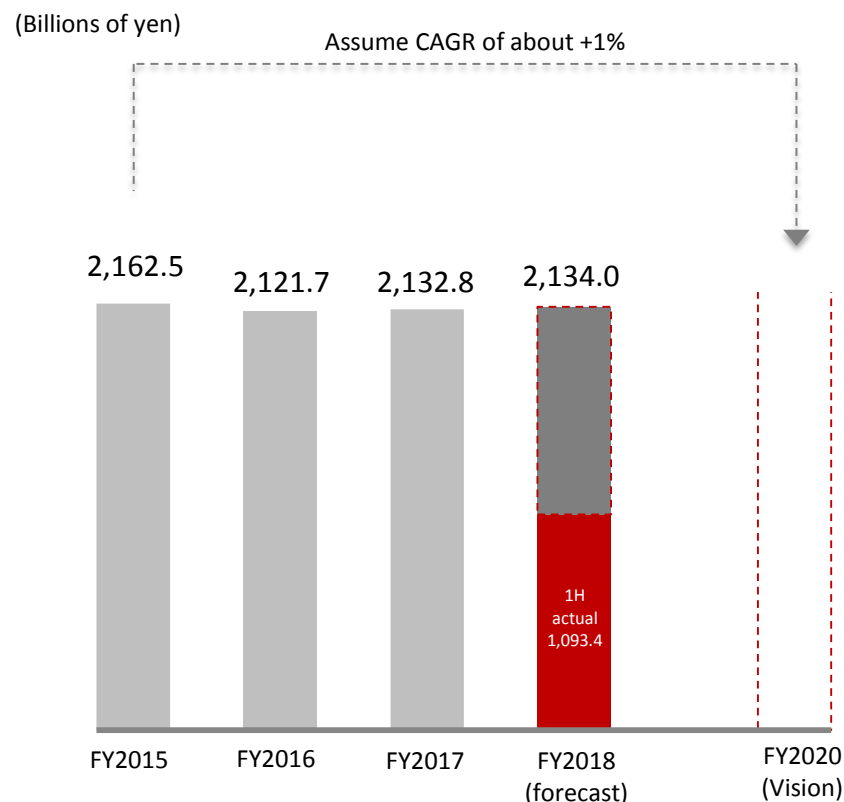
## Plan for adjusted profit



\*<sup>1</sup> Revised adjusted consolidated profit, assuming an incurred loss on domestic natural disasters of ¥48.0 billion (equivalent to the historical average and estimated amount in initial forecasts for FY2018)

\*<sup>2</sup> 1H actual in FY2018 is -19.4 billion yen

## Net premiums written (Sompo Japan Nipponkoa)\*<sup>3</sup>



\*<sup>3</sup> Presented by adjusting reinsurance policies scheduled for successive transfer to overseas subsidiaries: Deducting the portion of the total transfer amount (approx. ¥60.0 billion) that has yet to be transferred in each fiscal year.



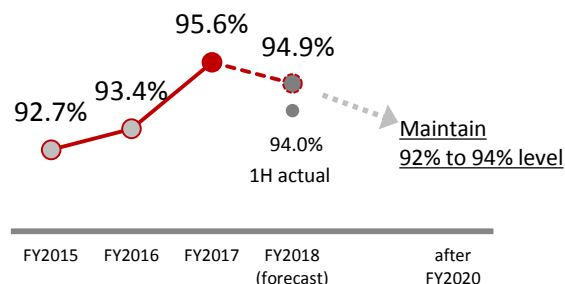
# Key Points for Domestic P&C Insurance

- ◆ Aim to improve profitability of insurance products, to pursue efficiency and to achieve qualitative evolution capturing change in customer needs.

## (1) Combined ratio<sup>\*1</sup>

Aim at 92% to 94% level of combined ratio by higher efficiency mainly through digital technology and optimization distribution channels, and control of CAT risks, etc.

<Combined ratio after adjustment<sup>\*2</sup> of domestic natural disasters>



<sup>\*1</sup> Sompo Japan Nipponkoa (excl. CALI, household earthquake)

<sup>\*2</sup> Revised number, assuming a net claims paid of ¥43.0 billion on domestic natural disasters (equivalent to the historical average and estimated amount in initial forecasts for FY2018)

## (2) Growth strategy

Progress collaboration with innovative players, etc. aiming for continuous expansion of the number of customers

<Examples of recent alliances>

### LINE Financial

“LINE insurance” launched (October 2018)

- Insurance that users can take out easily and flexibly through the LINE messaging app with selectable term periods starting from one day
- Extending our reach to LINE’s 76 million users and young customers in Japan
- Increase the number of customers by further enhancing products going forward



Business alliance with ZhongAn international<sup>\*3</sup> in area of insurance and technology



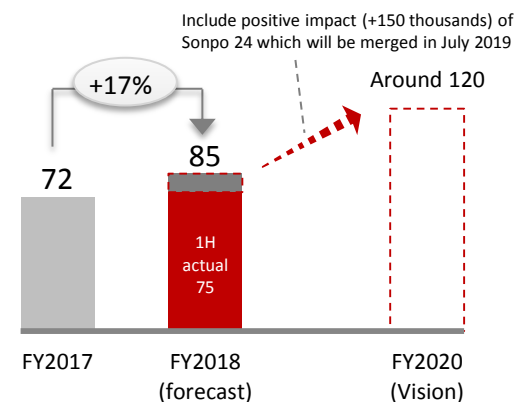
Mainly provide cyber security and consulting services

## (3) Direct business (Saison Automobile & Fire)

- Mainly due to differentiated product, No.1 growth rate in the industry
- Come within the range of profitable in FY2020

<Policies in force of direct auto insurance>

(10 thousands)



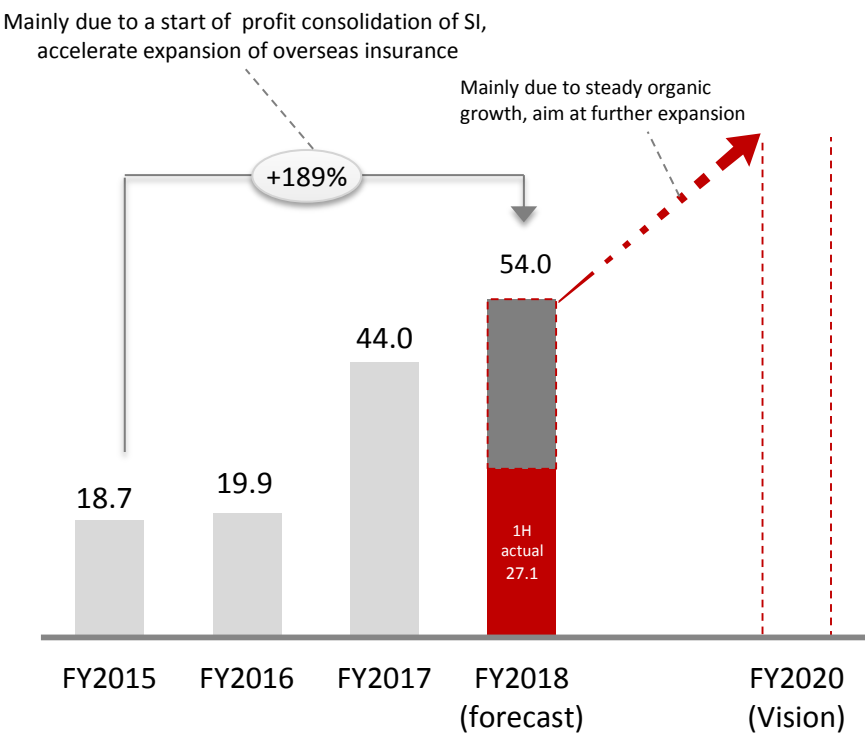
<sup>\*3</sup> ZhongAn insurance’s strategic subsidiary

# Progress of Overseas Insurance

- ◆ Partly due to consolidation of SI (former Endurance) in March 2017, profit expanded drastically.
- ◆ Position SI as SOMPO global platform, aim at expanding weight of overseas insurance business further.

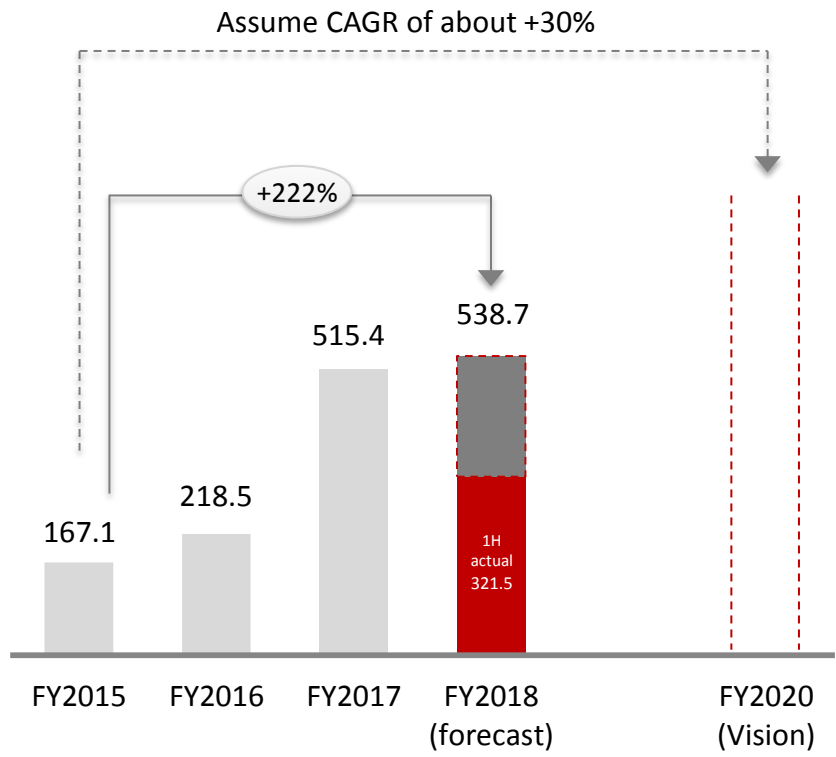
## Plan for adjusted profit

(Billions of yen)



## Premiums\*

(Billions of yen)



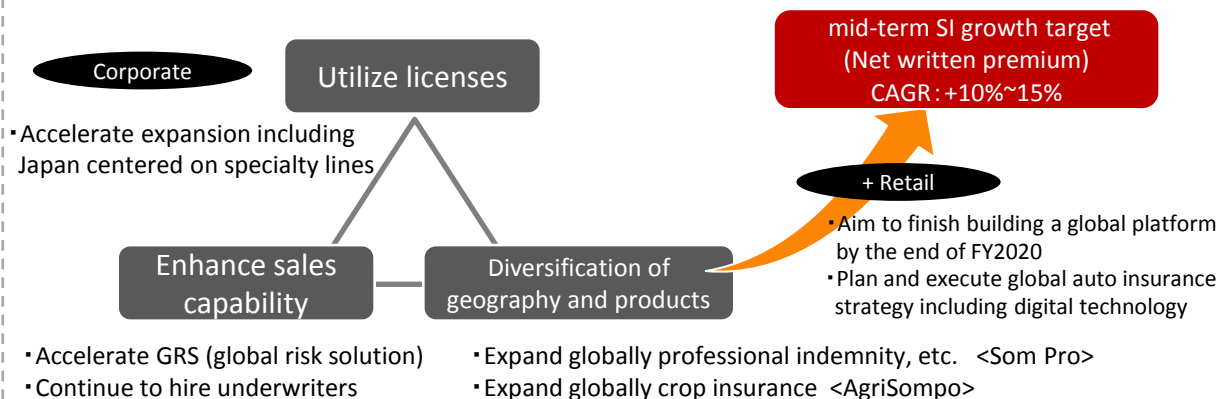
\* Deduct the portion of Sompo Canopus due to sales completion.  
 Premiums reflect holding shares. This treatment does not coincide with financial statements.

# Key Points for Overseas Development

- ◆ Manage both acceleration of organic growth mainly through SI evolution into a global platform and disciplined M&As.

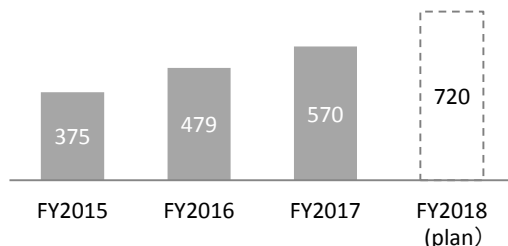
## (1) Evolution into a global platform (accelerate organic growth)

Accelerate global expansion of specialty lines, etc. leveraging SOMPO licenses of 30 countries



<Number of staffs in business on the ground (head)>

Continue to increase centered on underwriters



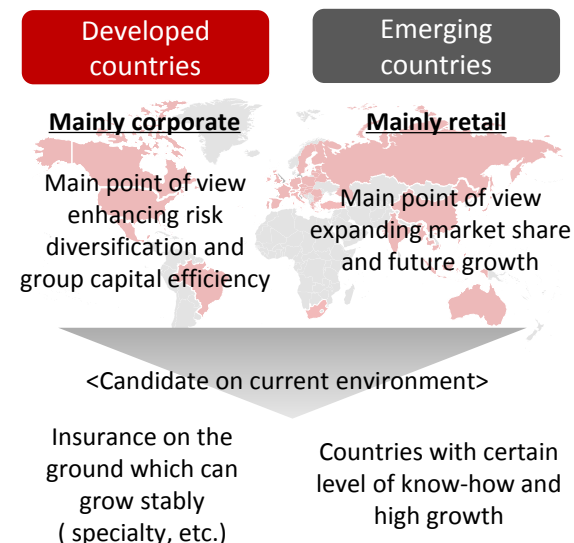
## (2) bolt-on type M&As

Continue to consider bolt-on type M&A contributing to diversification of geography and products toward risk diversification and further growth.

- March 2018** A&A (Italy: broker of crop insurance)
- June 2018** Lexon (U.S.: surety insurance company)

## (3) Major M&A strategy

With strict disciplined manner, consider selectively

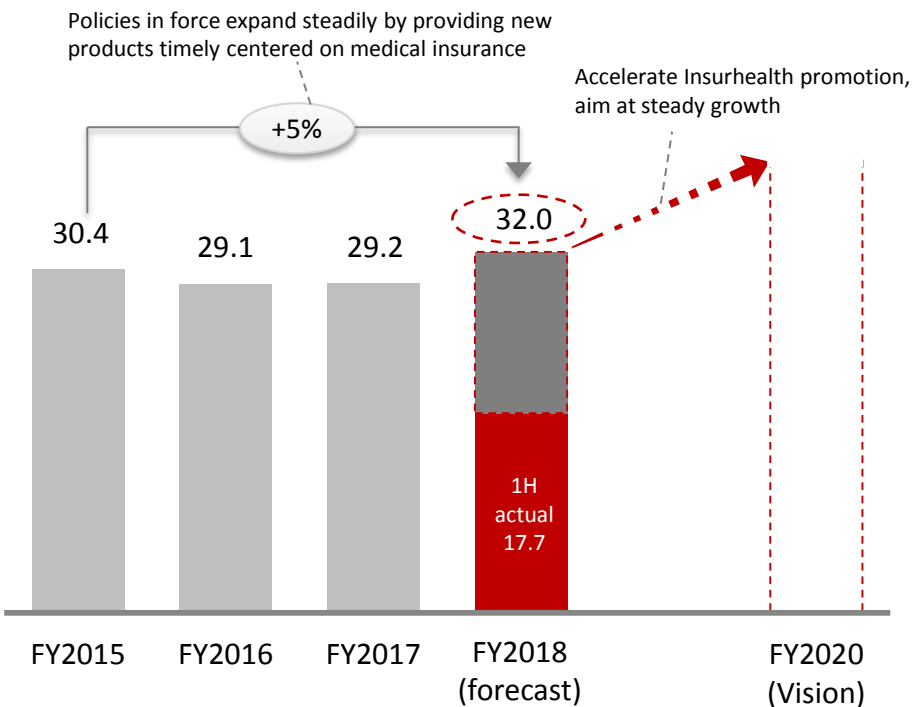


# Progress of Domestic Life Insurance

- ◆ In light of steady expansion of policies in force, achieve growth of profit.
- ◆ Aim at further growth by accelerating epoch-making products and services with health support function.

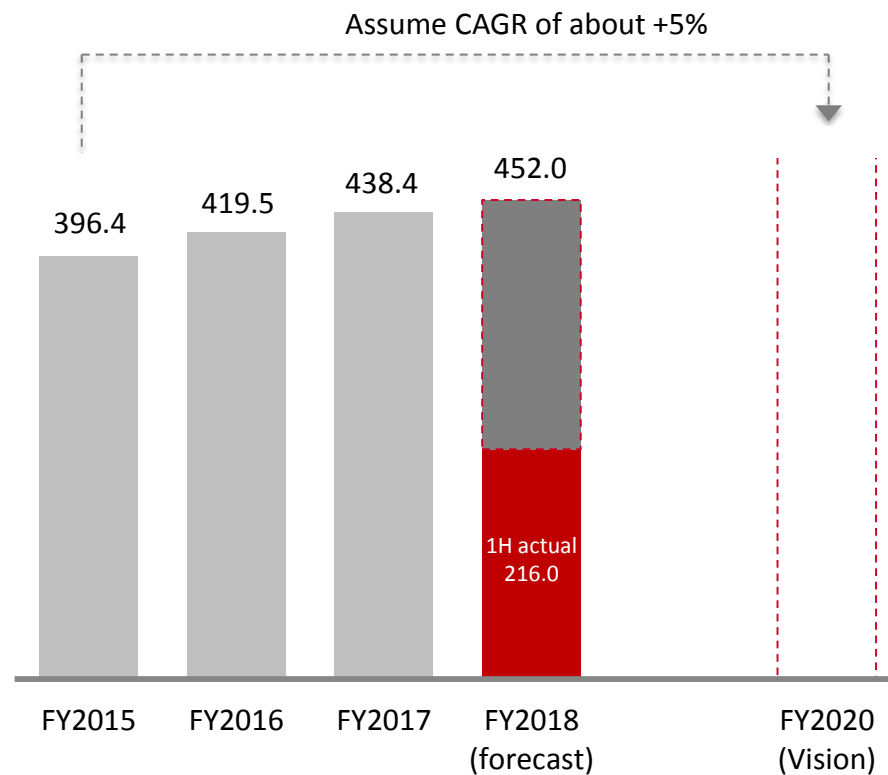
## Plan for adjusted profit

(Billions of yen)



## Premium and other income

(Billions of yen)



# Key Points for Domestic Life Insurance

- ◆ Aim at growth by launch of new products and services as well as evolution into a health support enterprise for customers.

## (1) Evolve into a health support enterprise

Aim at doubling number of customers in conjunction with providing new added values integrating health support function for customers and insurance

### Insurhealth

Insurance function



Healthcare function

<October 2018 launch>

**Linkx** 笑顔をももる 認知症保険  
Industry first Cover MCI (Mild cognitive impairment)

<April 2018 launch>

**Linkx** じぶんと家族のお守り  
Industry first Healthcare Challenge scheme\*1

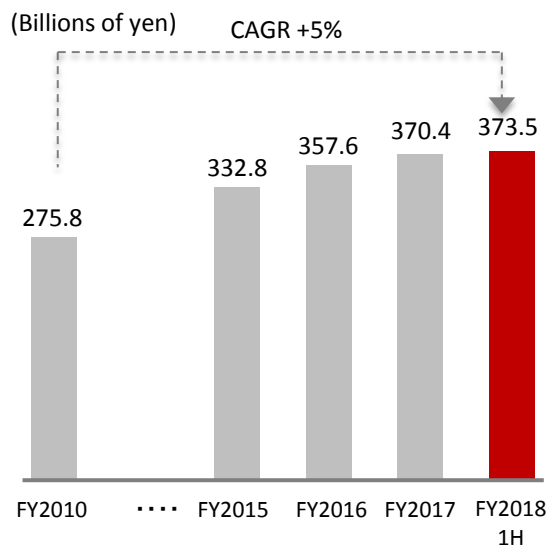


Discontinuous productivity enhancements  
(With digital technologies such as RPA and AI)

## (2) Annualized premium in force

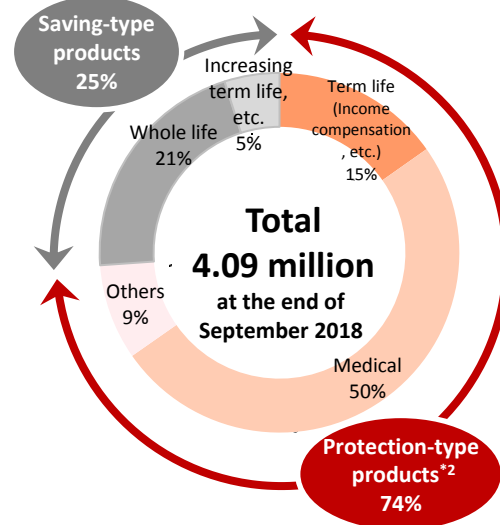
Mainly by providing new product at proper timing, expand policies in force centered on protect-type product

<Annualized premium in force since FY2010>



## (3) Product mix (policies in force)

Evolve into a product mix mainly with highly profitable products



\*1 If a policyholder improves health condition by meeting certain conditions after policy enrollment, premiums are reduced and the difference between the former and reduced premiums are reimbursed retroactively, going back to the policy enrollment date.

\*2 Mainly medical, cancer, income compensation, and term life insurance (excluding long term life insurance, etc.)

Domestic P&C	Overseas
Domestic life	Nursing care & healthcare, etc.

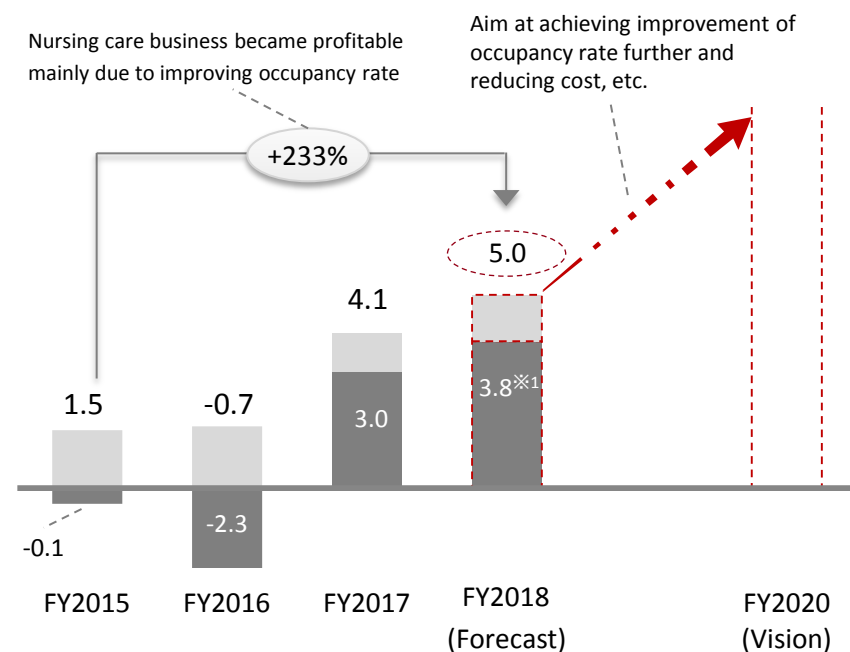
## Progress of Nursing Care & Healthcare, etc.

- ◆ After entered into nursing care business, achieved to become profitable and realized steady growth of profit.
- ◆ Aim to increase the presence of the nursing care business in the business portfolio over the med term, mainly by further enhancement occupancy rates and cost reductions.

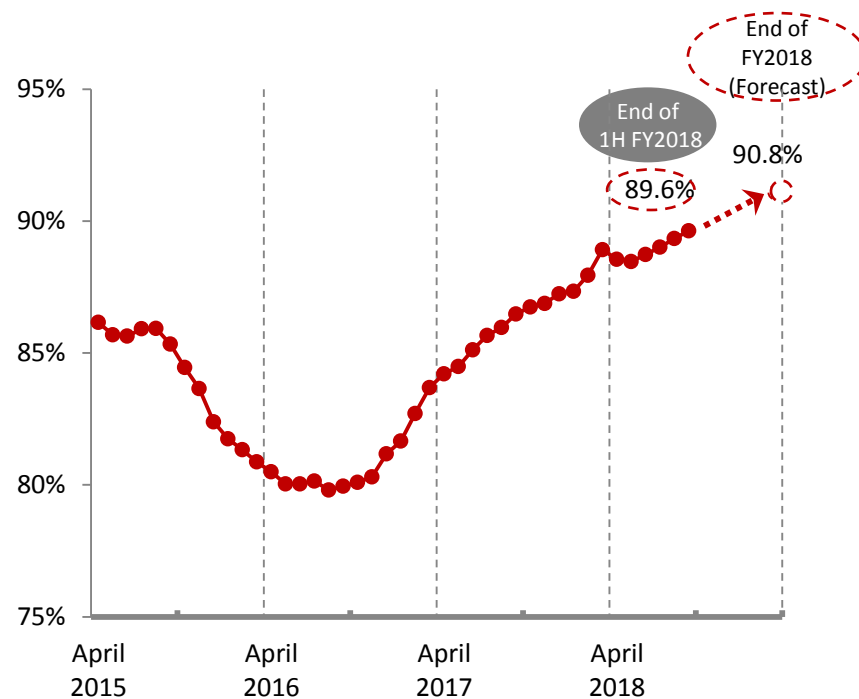
### Plan for adjusted profit

■ Nursing care & healthcare ■ Asset management, etc.

(Billions of yen)



### Occupancy rate\*2



\*2 integrate occupancy rate of former SOMPO Care and SOMPO Care Next

## Key Points for Nursing Care Business

- ◆ Mainly by enhancing profitability on a stand-alone basis further as well as evolving services related to dementia, accelerate profit contribution.

### (1) Enhance stand-alone profitability further

While continue to improve occupancy rate, achieve higher efficiency further with digital and strive to secure human resources by enhancing remuneration, in an effort to further improve standalone profitability

<Initiatives to improve stand-alone basis profitability>

Higher efficiency

+

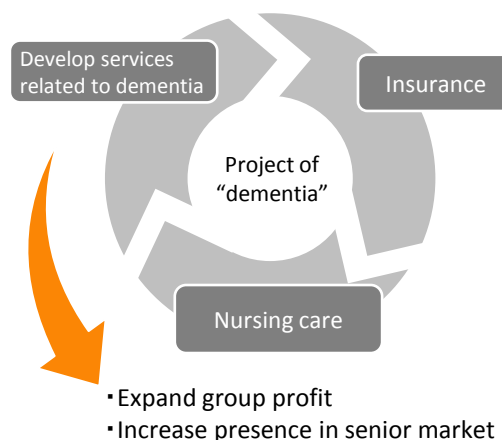
Secure and maintain human resources

- Optimize personnel assignment
  - Achieve drastic higher efficiency with introduction of advanced technology
  - Review HQ function after integration
  - Secure and maintain high quality human resources mainly through enhancing remuneration
- \* Mainly by decrease in turn over rate, reduce recruitment cost

### (2) Growth leveraging dementia

Evolve services related to dementia connecting insurance to nursing care, aiming at expanding profit contribution to group

<Collaboration among businesses from dementia axis>

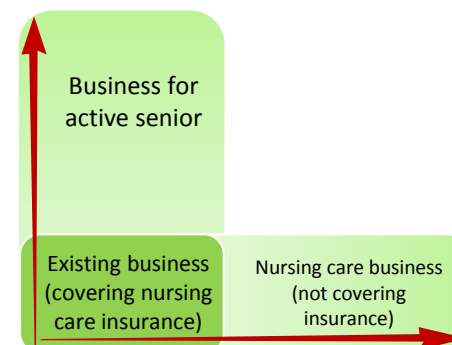


### (3) Expand into a senior market

By utilizing know-how, VOC and VOG\* as much as possible, enter into new business surrounding nursing care in the future.

<Future direction (vision)>

Leveraging existing nursing care business, expand into surrounding area which can be monetized



\* Real voice of more than 100 thousand users, residents and staffs

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## 3. Reference



# Group Asset Management

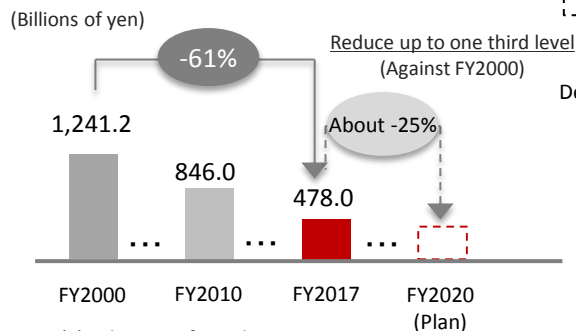
- ◆ No change in plans to undertake stable asset management, taking liquidity, safety and so on into consideration.
- ◆ Continue to aim at reducing strategic-holding stocks as planned and enhancing yield based on asset management diversification, etc.

## Balance of group investment assets<sup>\*1</sup> and asset management policy

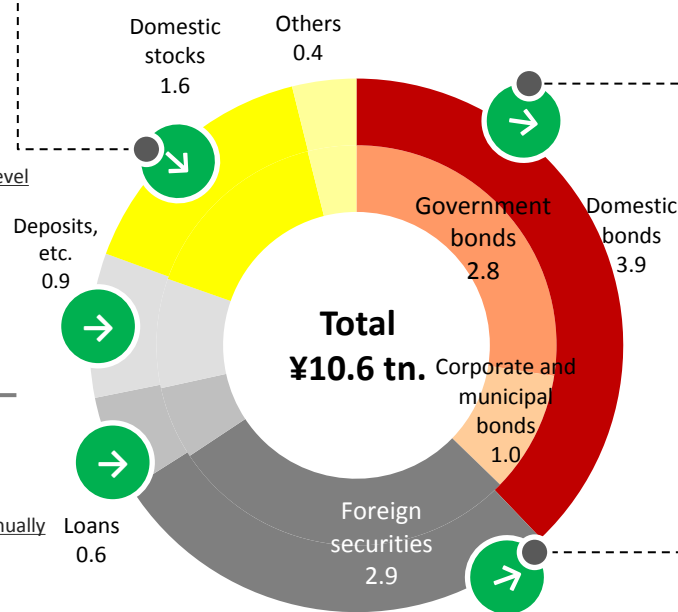
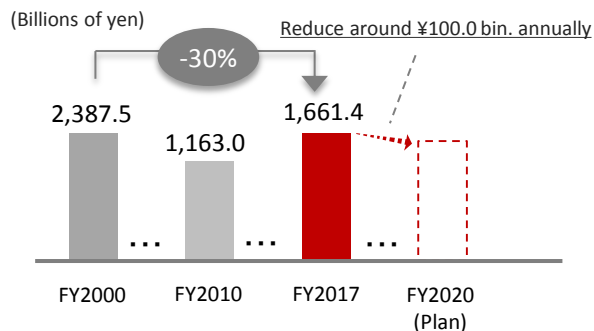
### Reduction of strategic-holding stocks

Plan to reduce total exposure, while watching economic rationality (ROR of individual stocks, etc.) and purpose of holding

Reference (1) Balance on book value



Reference (2) Balance on fair value



### Measures against low interest rate environment

While watching quality of assets and risk diversification, utilize credit investment, etc.

From the perspective of return on reinvestment yield<sup>\*2</sup>

Assuming current market environment, aim at 1.5% to 2.0% level

Arrows indicates direction of asset allocation.

<sup>\*1</sup> End of 1H FY2018, group-wide basis (Trillions of yen)

<sup>\*2</sup> Sampo Japan Nipponkoa general account and yen-interest assets, etc. as object

# Penetration and Progress of ERM Management

## ◆ Penetrate ERM process, aim at further evolution to enhance the Group.

### Penetrate ERM into group

Penetrate ERM in the organization as a management process for increasing corporate value, while achieving a balance between capital, risks, and returns

\* SOMPO group ERM evaluation by S&P global: Raised to “Strong” (April 2018)

#### Utilize strategic risk management(ERM)

- Utilize product development, management and reinsurance, etc. to achieve higher profitability
- Utilize widely in management decision of M&A and selection of sale of strategic holding stocks, etc.

#### Sophisticate risk control

- Sophisticate the ERM framework and various management approaches, taking into account growth of the overseas insurance business
- Develop risk models for the nursing care business, in addition to controlling risks pertaining to traditional insurance businesses

#### Penetrate risk culture

- Penetrate ERM culture by the messages to all staffs and training, etc.

### Evolve ERM further

Aim at sophistication further by deepening ERM and strengthening global ERM framework, etc.

< Specific areas to focus on>

#### Evolve ERM

- Deepen management decision related to various strategy with ERM
- \*Optimize global CAT structure (including reinsurance cover), etc.

#### Sophisticate risk control further

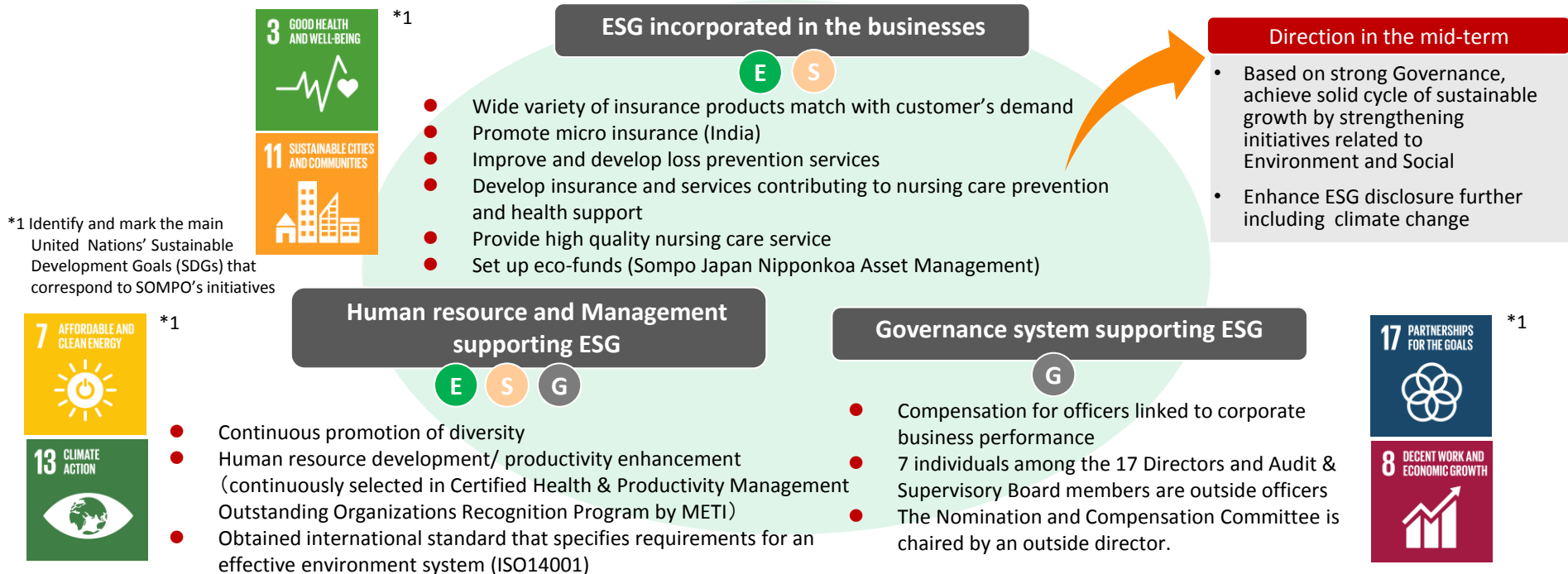
- Evolve risk model continuously corresponding to change in external environment
- Identify and quantify potential risks that could materialize in the future

#### Penetrate risk culture further

- Penetrate ERM culture to all staffs further, and accelerate use of ERM in each department

# Enhance Corporate Value Through Advanced Initiatives for ESG

- ◆ Continue to tackle the challenge of solving social issues through businesses, aim to achieve sustainable cycle of enhancing corporate value.



## Inclusion in Socially Responsible Investment (SRI) indexes and other indexes

- Selected for inclusion in the Dow Jones Sustainability Index for 19 consecutive years (longest-running record for a Japanese company).
- Adopted by all ESG indexes selected by the Government Pension Investment Fund (GPIF)



2018 Constituent  
MSCI Japan ESG  
Select Leaders Index



2018 Constituent  
MSCI Japan Empowering  
Women Index (WIN)

Selected for inclusion in the highest rank of the CDP<sup>\*2</sup> for second consecutive years.

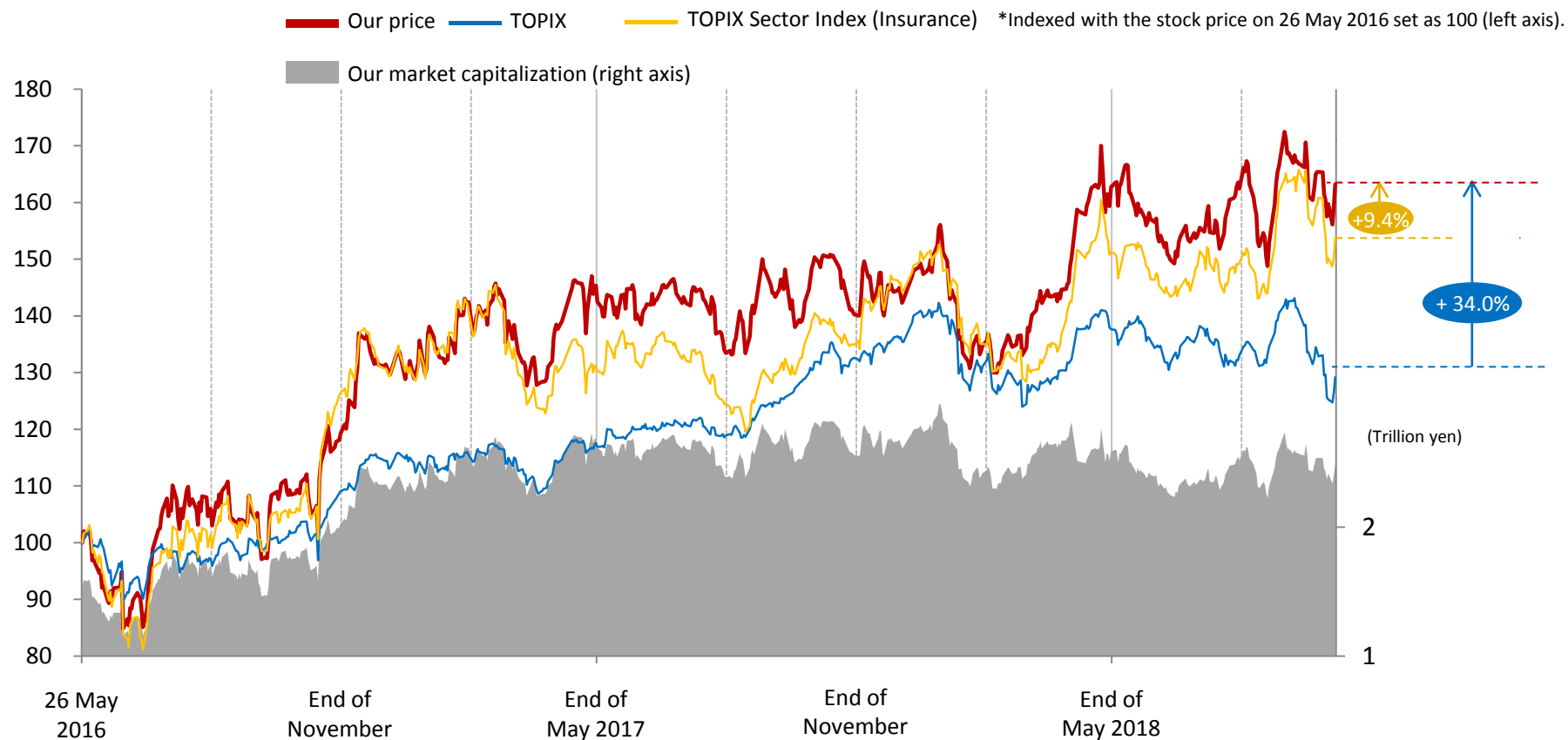


<sup>\*2</sup> International project on climate change strategy, etc.  
(Carbon Disclosure Project)

# Stock Price (Total Shareholder Return)

◆ Since announced mid-term management plan on 26 May 2016, our stock price has progressed steadily.

## Progress of stock price and market capitalization (from 26 May 2016 to 31 October 2018)



\* Stock price above shows total shareholder return (ratio of return after reinvestment of dividends before tax)

# Numerical Management Targets, etc.

## Numerical management targets

(Billions of yen)	FY2017	FY2018	
	(Actual)	(1H Actual)	(Forecasts) Announced November 2018
Domestic P&C insurance <sup>*1</sup>	85.3	-19.4	14.0
Overseas insurance	44.0	27.1	54.0
Domestic life insurance	29.2	17.7	32.0
Nursing care & healthcare, etc.	4.1	2.8	5.0
<b>Total (Adjusted consolidated profit)</b>	<b>162.7</b>	<b>28.3</b>	<b>105.0</b>
<b>Adjusted consolidated ROE<sup>*2</sup></b>	<b>6.4%</b>	<b>-</b>	<b>4.0%</b>
Consolidated net income (J-GAAP)	139.8	22.1	170.0
ROE (J-GAAP)	7.6%	-	8.8%

## Definition of adjusted profit

### Domestic P&C insurance

Net income  
 + Provisions for catastrophic loss reserve (after tax)  
 + Provisions for reserve for price fluctuation (after tax)  
 – Gains/losses on sales of securities and impairment losses on securities (after tax)  
 – Special factors (e.g. dividend from subsidiaries)

### Overseas insurance

Net income  
 (including major non-consolidated subsidiaries)  
 Adjusted profit of SI is operating income<sup>\*3</sup>

### Domestic life insurance

Net income  
 + Provision of contingency reserve (after tax)  
 + Provision of reserve for price fluctuation (after tax)  
 + Adjustment of underwriting reserve (after tax)  
 + Deferral of acquisition cost (after tax)  
 – Depreciation of acquisition cost (after tax)

### Nursing care & healthcare, etc.

Net income

<sup>\*1</sup> Total of Sompo Japan Nipponkoa, Saison Automobile & Fire, Sonpo 24, Sompo Japan Nipponkoa Insurance Services, DC Securities and Sompo Risk Management (former Sompo Risk Management & Healthcare)

<sup>\*2</sup> Adjusted consolidated ROE = Adjusted consolidated profit / Adjusted consolidated net assets (The denominator is the average balance at the end/start of each fiscal year.)  
 Adjusted consolidated net assets = Consolidated net assets (excluding life insurance subsidiary's net assets) + Catastrophic loss reserve in domestic P&C insurance (after tax)  
 + Reserve for price fluctuation in domestic P&C insurance (after tax) + Domestic life insurance adjusted net assets  
 Domestic life insurance adjusted net assets = Net assets (J-GAAP) + Contingency reserve (after tax) + Reserve for price fluctuation (after tax)  
 + Adjustment of underwriting reserve (after tax) + Non-depreciated acquisition cost (after tax)

<sup>\*3</sup> Adjusted profit of SI is defined as operating income, which excludes one-time factors (operating income = net income - net foreign exchange gains/losses  
 - net realized and unrealized gains/losses - net impairment losses recognized in earnings, etc.). Actual for the overseas insurance business in FY2017 includes a decrease in tax expenses in connection with the reorganization of SI.

## **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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