

Progress of Mid-term Management Plan

November 28, 2019
Sompo Holdings, Inc.



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1. Group management

- 2nd half of mid-term management plan
- Further Changes in external environment (“A new normal” stage)
- Progress of qualitative evolution
- Shareholder return

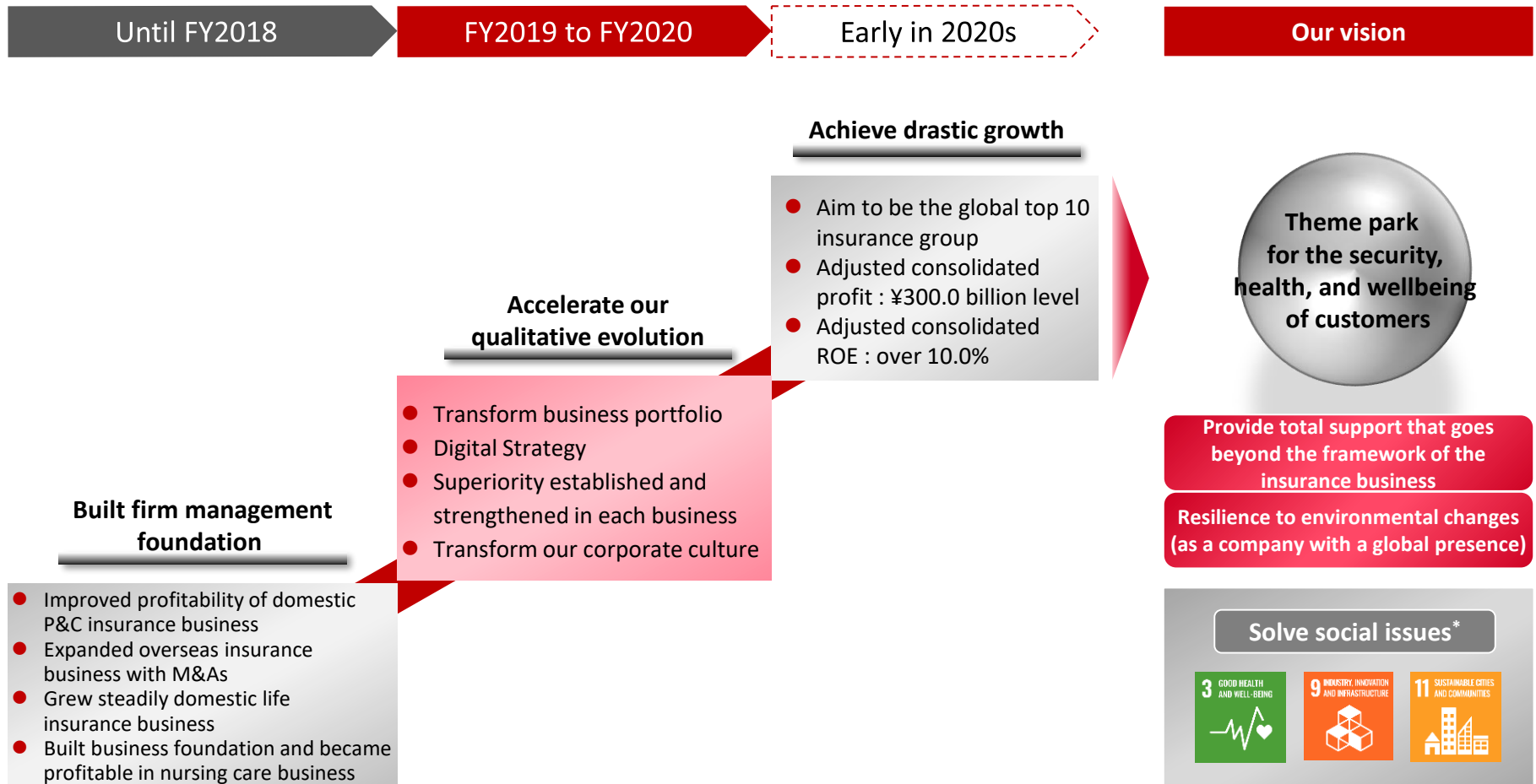
2. Businesses

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

3. Reference

2nd Half of Mid-term Management Plan

- ◆ In the 2nd half of the Mid-term Management Plan, the main priority will be qualitative evolution towards dramatic growth in the 2020s.
- ◆ Strive “to contribute to the security, health, and wellbeing of our customers” and society as a whole by providing insurance and related services of the highest quality possible, thereby solving social issues and increasing corporate value over the medium and long terms.

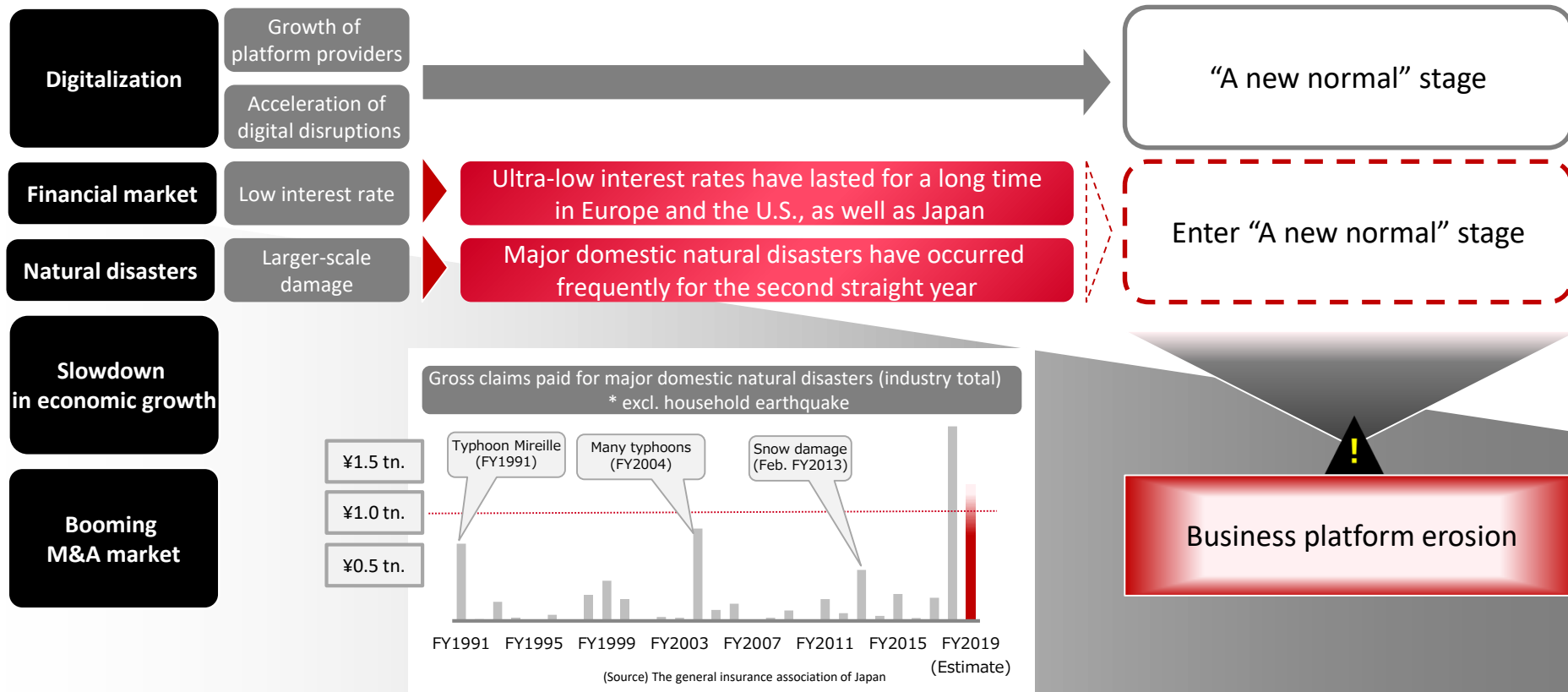


* Identify and mark the main United Nations' Sustainable Development Goals (SDGs) that correspond to SOMPO's initiatives

Further Changes in External Environment - "A New Normal" Stage -

- ◆ Cyclical changes in external environment have become even shorter and digitalization has already reached "a new normal" stage.
- ◆ The frequent occurrence and increasing severity of natural disasters and the ultra-low interest rate environment are also entering "a new normal" stage.

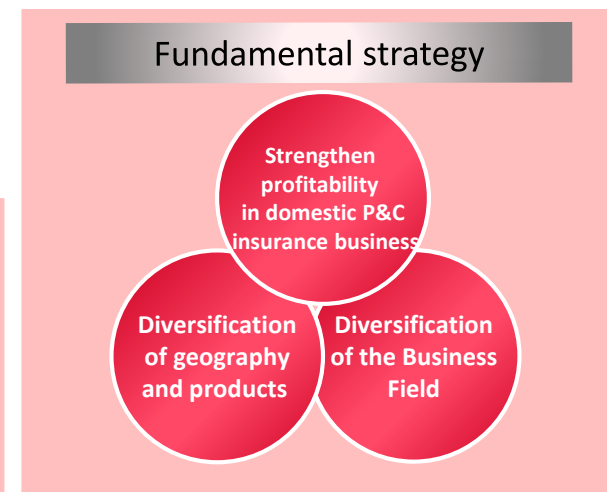
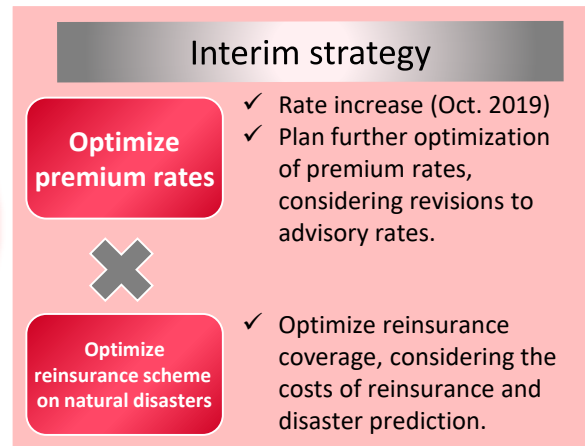
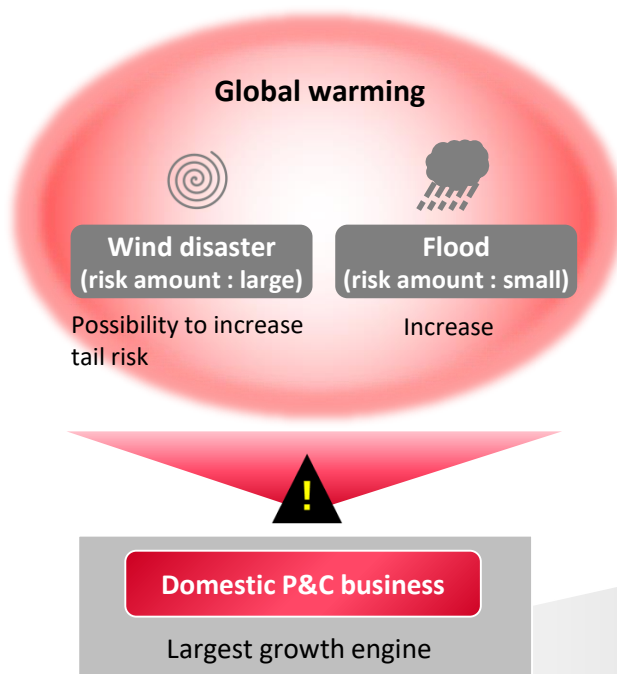
Recent changes in external environment



Strategy for “A New Normal” Stage

- ◆ For the time being, natural disasters and other new normals will be addressed by adjusting premium rates and optimizing reinsurance coverage.
- ◆ At a more fundamental level, there has been no change in our policy of addressing new normals by accelerating qualitative evolution, a key priority for the 2nd half of the Mid-Term Management Plan.

Strategy against changes of external environment

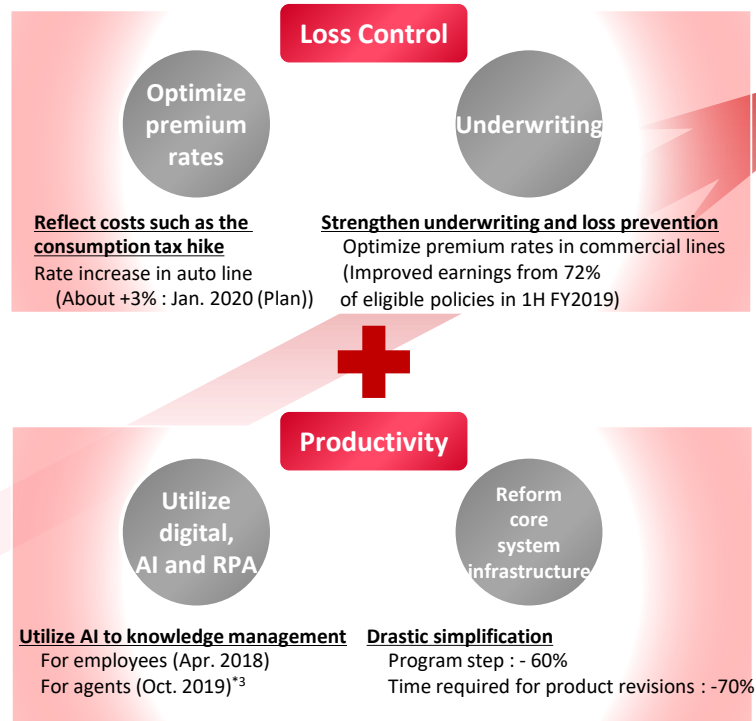


Strengthen Profitability in Domestic P&C Insurance Business

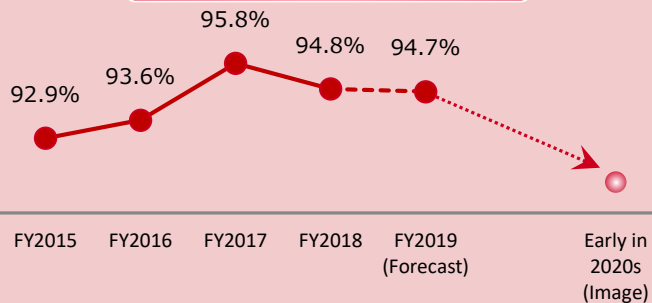
- ◆ Domestic P&C insurance business will strive to enhance profitability further, taking into account the challenging business environment.

Initiatives for strengthening profitability

Strategies for improvement of combined ratio



Combined ratio (W/P)*1*2



*1 Sompo Japan Nipponkoa (excl. CALI, earthquake)
Revised number, assuming an net claims paid of ¥47.0 billion on domestic natural disasters (equivalent to the historical average)

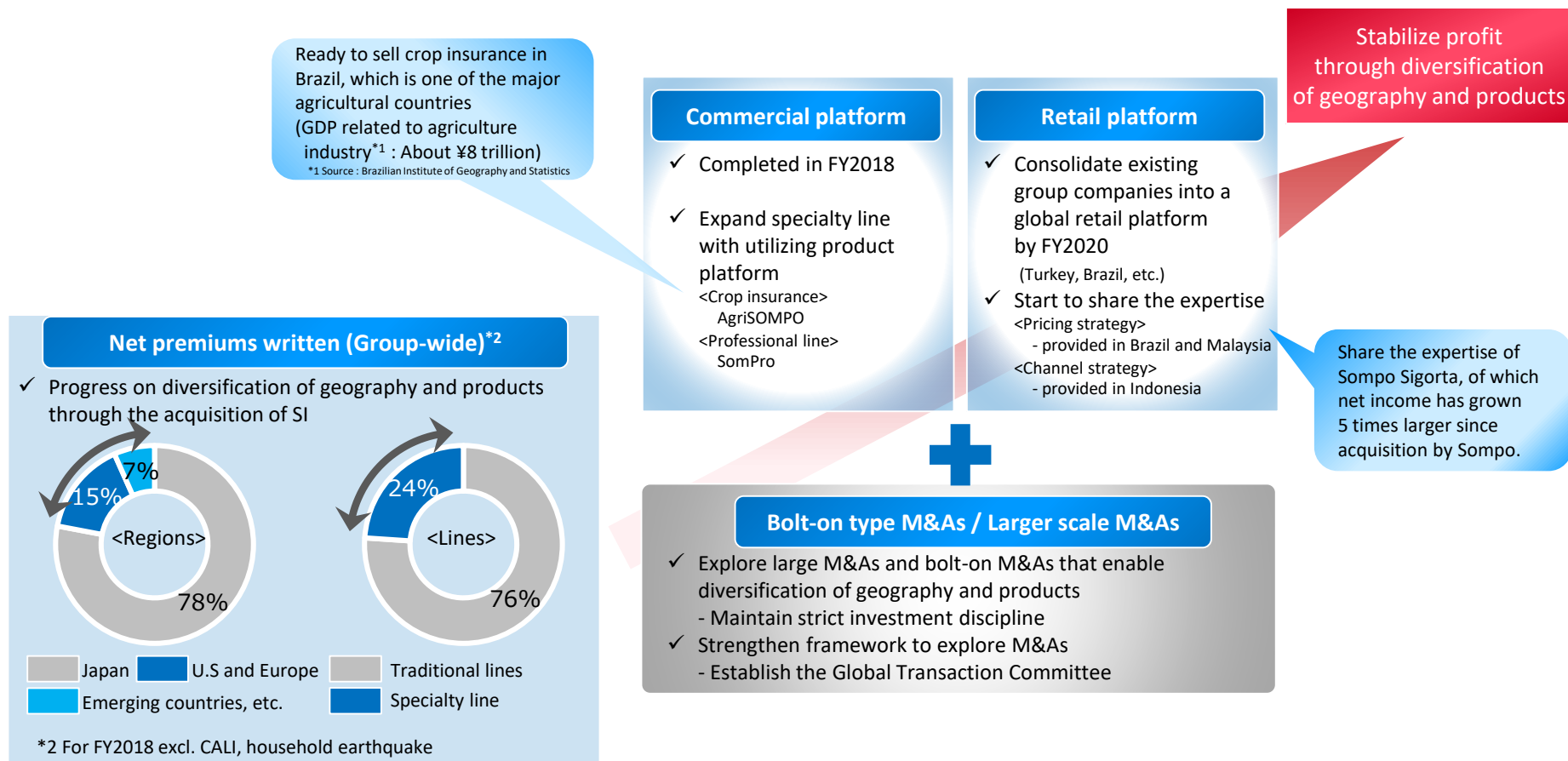
*2 Sum of W/P loss ratio and net expense ratio.
W/P loss ratio means written-paid loss ratio;
numerator is net claims paid, and denominator is net premiums written(The same shall apply hereafter.)

*3 Trial implementation

Diversification of Geography and Products through the Globalization

- ◆ Diversification of geography and products progressed dramatically as a result of the acquisition of SI.
- ◆ Expand specialty insurance product and enhance profitability of retail business through building SI as a global platform.

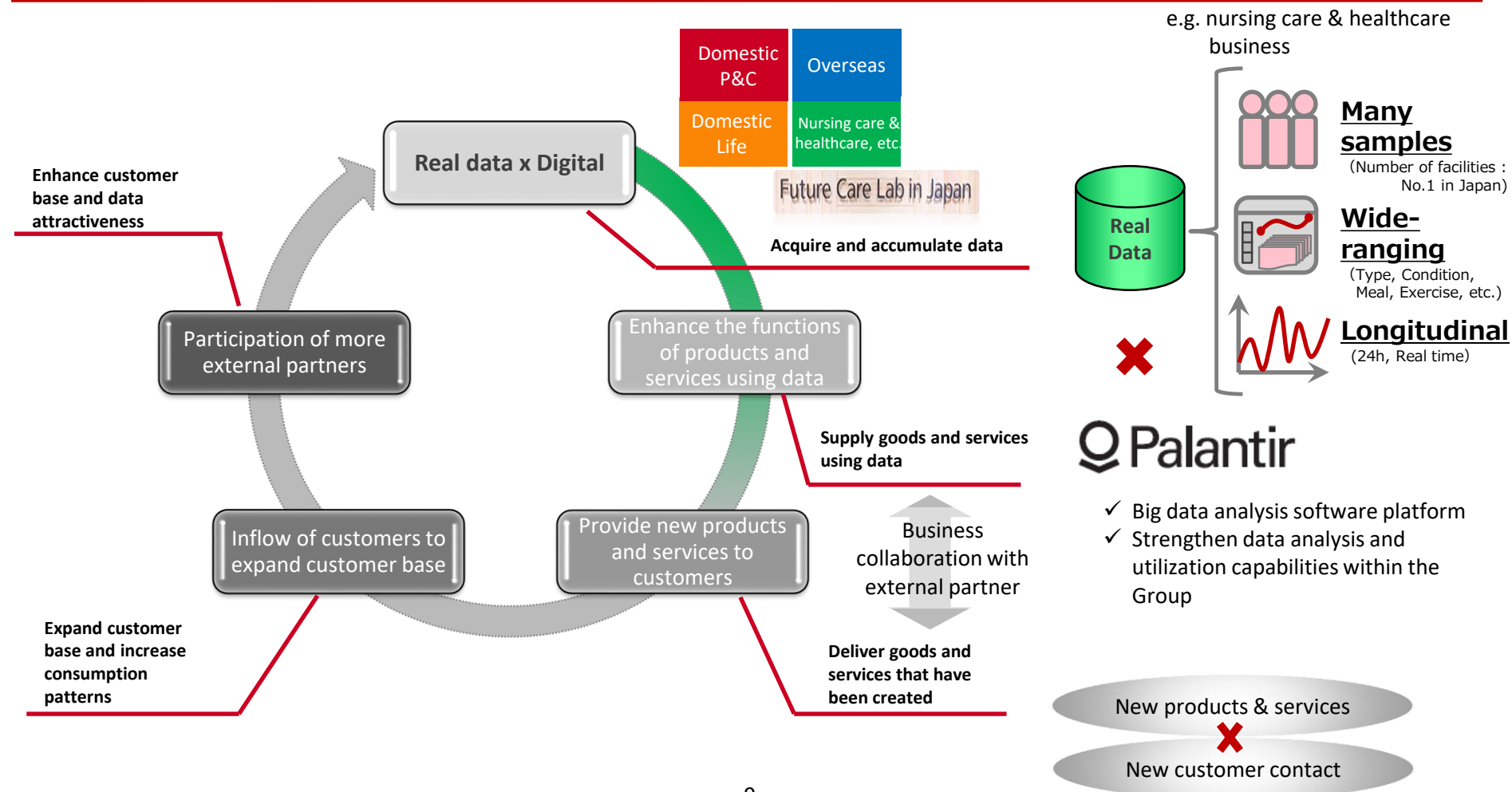
Evolution of diversification of geography and products through qualitative evolution



Diversification of the Business Field - e.g. (1) Real Data Platform -

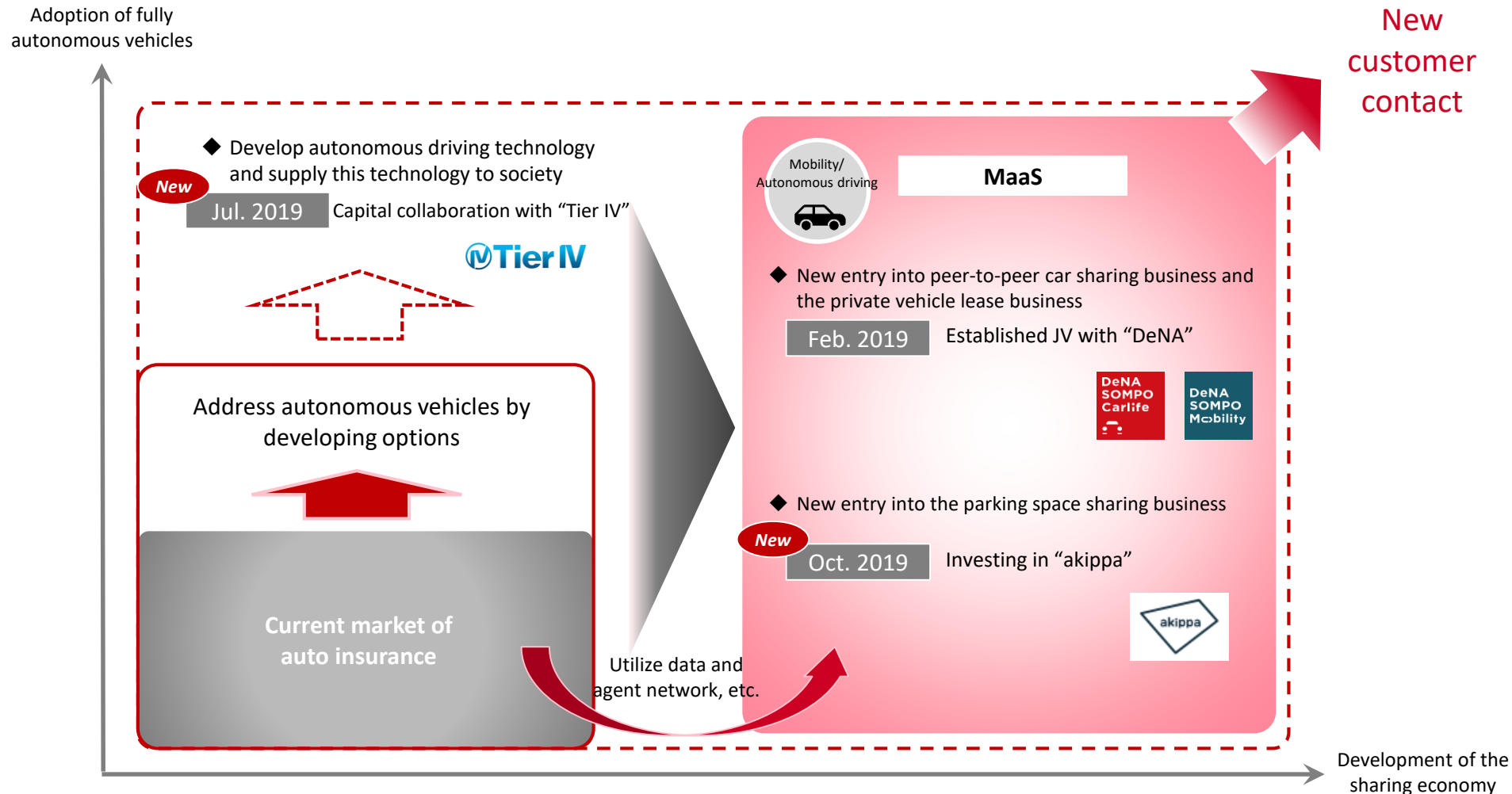
- ◆ Utilize the Sampo Group's real data by forming a partnership with Palantir Technologies Inc., which has superior expertise in big data analysis.
- ◆ In the first stage, aim to create new business in the senior wellness field, where we have data that other companies cannot match in terms of quantity and quality.

Beneficial cycle arising from real data and business network effect expansion



Diversification of the Business Field - e.g. (2) MaaS/Property -

- ◆ Execute full-scale strategic investments in platform providers, in anticipation of expansion in the MaaS field.

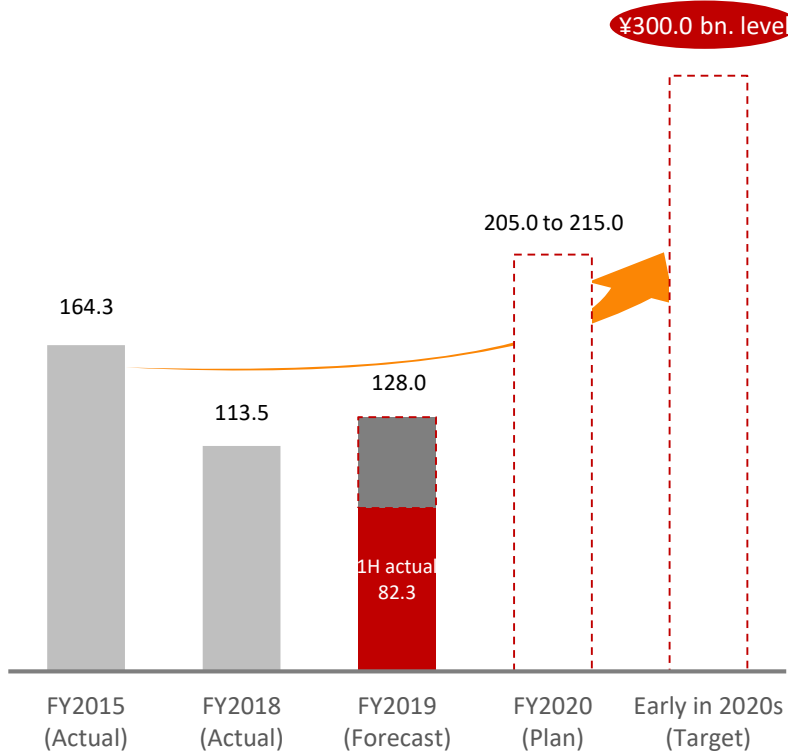


Numerical Management Targets

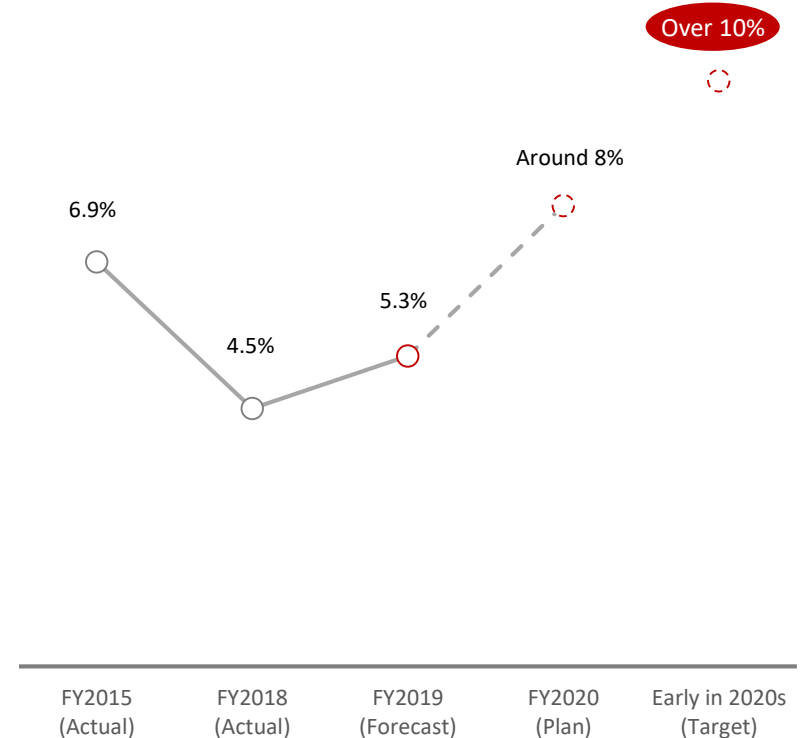
- ◆ Revised the adjusted consolidated profit forecast for FY2019 to ¥128.0 billion, mainly due to the impact of natural disasters.
- ◆ Pave the way for dramatic growth from the next Mid-Term Management Plan onward after fortifying Sompo's business foundation by speedily addressing environmental changes.

Adjusted consolidated profit*

(Billions of yen)



Adjusted consolidated ROE

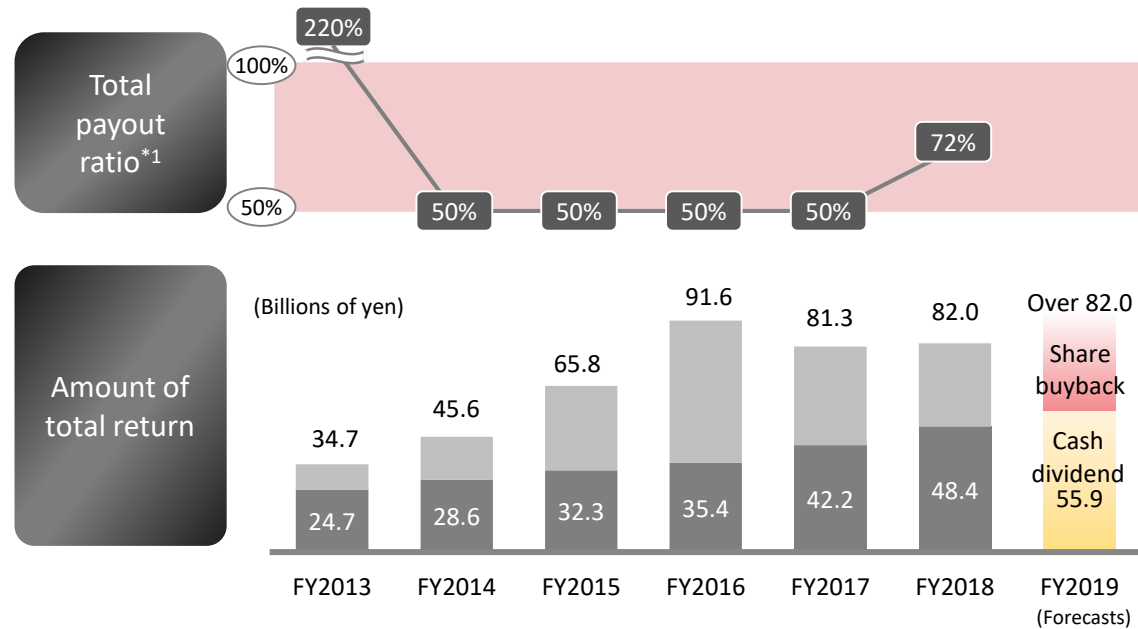


* The figures for FY2015 Estimation based on current definition of adjusted profit

Shareholder Return

- ◆ As for total shareholder returns for FY2019, plan to exceed the amount of total shareholder returns for FY2018 on the premise that adjusted consolidated profit forecast doesn't change largely going forward.
- ◆ Continue to aim to enhance shareholder return through drastic growth of adjusted consolidated profit as resource of shareholder return in mid-term.

History of shareholder returns



Shareholder return policy

- Aim to deliver attractive shareholder returns in consideration of financial soundness, earnings, and other factors.
- Target a total payout ratio of 50%–100% and determine total shareholder returns flexibly, comprehensively take into account factors such as chance of large-scale M&As and capital adequacy.
- Adopt a basic policy of continuing to increase dividends.

Annually determine the balance of dividends and share buybacks based on stock price and dividend yield, etc.

Adjusted consolidated profit*2 (Billions of yen)	15.8	90.8	132.0	183.2	162.7	113.5	128.0
DPS (yen)	60	70	80	90	110	130	150
(Reference)Total shareholder return yield*3	3.2%	3.0%	5.1%	5.7%	4.9%	5.4%	-

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

*2 Adjusted consolidated profit before FY2015 was amount of resource of shareholder return

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

(Reference) Numerical Management Targets, etc.

Numerical management targets

(Billions of yen)	FY2018	FY2019		FY2020
	(Actual)	(1H Actual)	(Forecasts)	(Plan)
Domestic P&C insurance	42.3	34.4	41.5	Over 95.0
Overseas insurance	33.0	27.7	47.0	Over 65.0
Domestic life insurance	32.8	17.1	34.0	Over 37.0
Nursing care & healthcare, etc.	5.2	2.9	5.5	Over 8.0
Total (Adjusted consolidated profit)	113.5	82.3	128.0	205.0 to 215.0
Adjusted consolidated ROE*²	4.5%	-	5.3%	Around 8%
ROE (J-GAAP)	8.0%	-	6.9%	Around 9.5%

Definition of adjusted profit*¹

Domestic P&C insurance

Net income
+ Provisions for catastrophic loss reserve, etc. (after tax)
+ Provisions for reserve for price fluctuation (after tax)
– Gains/losses on sales of securities and impairment losses on securities (after tax)

Overseas insurance

Net income
(including major non-consolidated subsidiaries)
Adjusted profit of SI is operating income*³

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

*1 Adjusted profit for each business excludes one-time factors and special factors such as subsidiary dividends, etc.

*2 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, etc. 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)

*3 Operating income of SI = Net income - Net foreign exchange gains/losses - Net realized and unrealized gains/losses - Net impairment losses recognized in earnings, etc.

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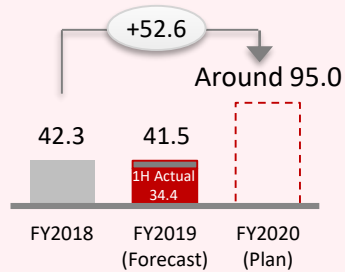
Businesses of 2nd Half of Mid-term Management Plan

◆ Quantitative evolution has progressed steadily in each business.

Adjusted profit by segment and typical key factors

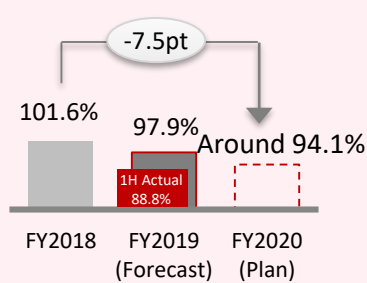
Adjusted profit (Billions of yen)

Plan to expand profit drastically despite impact of consumer tax hike and others.



Combined ratio(W/P)*1

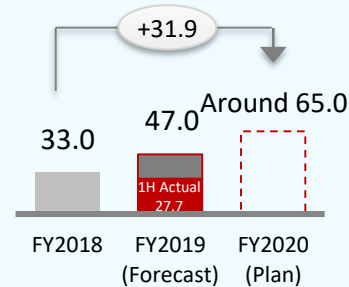
Accelerating proper pricing and streamlining of personnel allocation



*1 excl. CALI, household earthquake

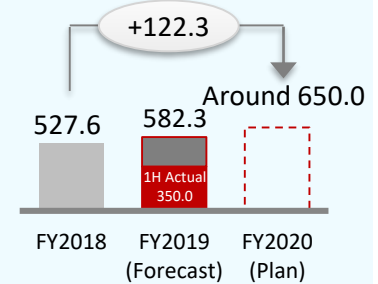
Adjusted profit (Billions of yen)

Plan to expand profit drastically while adequately managing cat risk



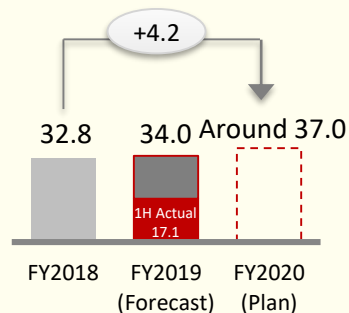
Net premium written (Billions of yen)

Plan to expand premium written centered in specialty line on global base



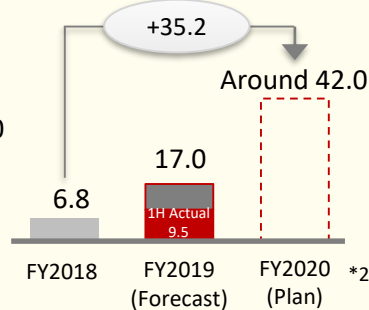
Adjusted profit (Billions of yen)

Through expansion of policies in force, plan to increase profit steadily



Annualized premium in force*2 (Billions of yen)

Through promoting insurhealth, plan to expand policies in force



Domestic P&C

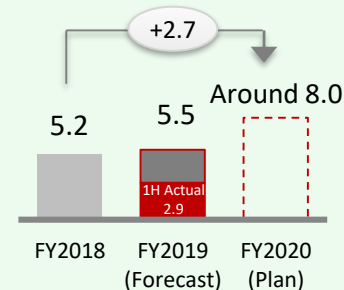
Overseas

Domestic Life

Nursing care & healthcare, etc.

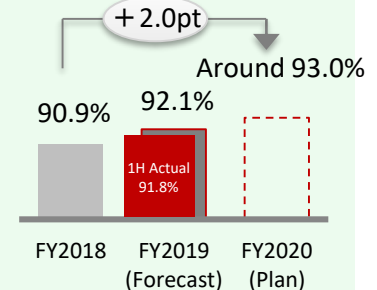
Adjusted profit (Billions of yen)

Continue growth trend in light of occupancy rate improvement



Occupancy rate

Aim to continue to steadily improve



*2 Insurhealth product

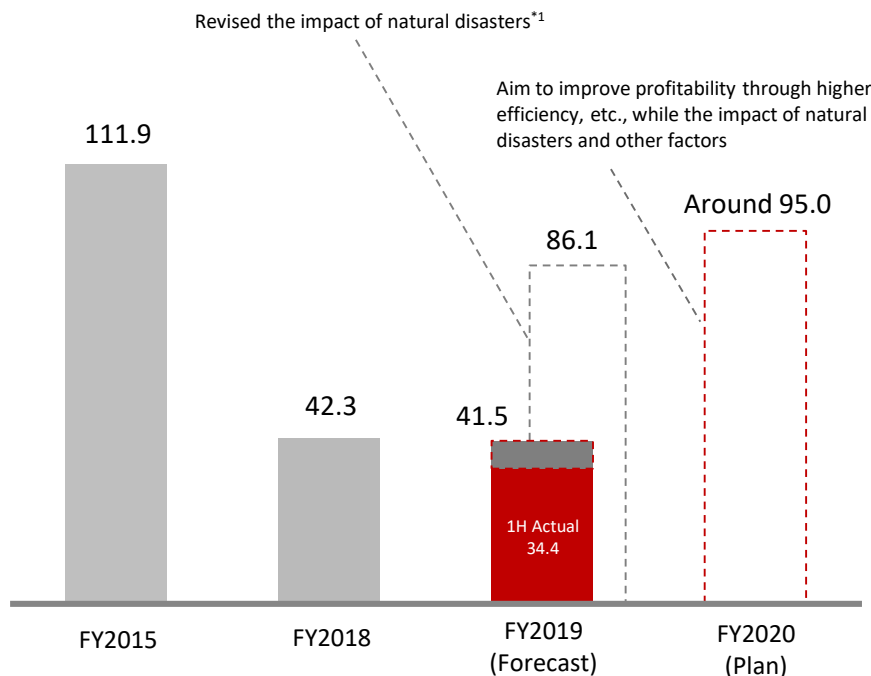
Domestic P&C	Overseas
Domestic life	Nursing care & healthcare, etc.

Progress of Domestic P&C Insurance

- ◆ Prepare for future external environmental changes through achieving quantitative evolution and higher operating efficiency with upfront investments such as AI, RPA and IT system.
- ◆ Aim at further profit growth and stability through transformation of product portfolio such as thorough optimization of premium rates.

Plan for adjusted profit

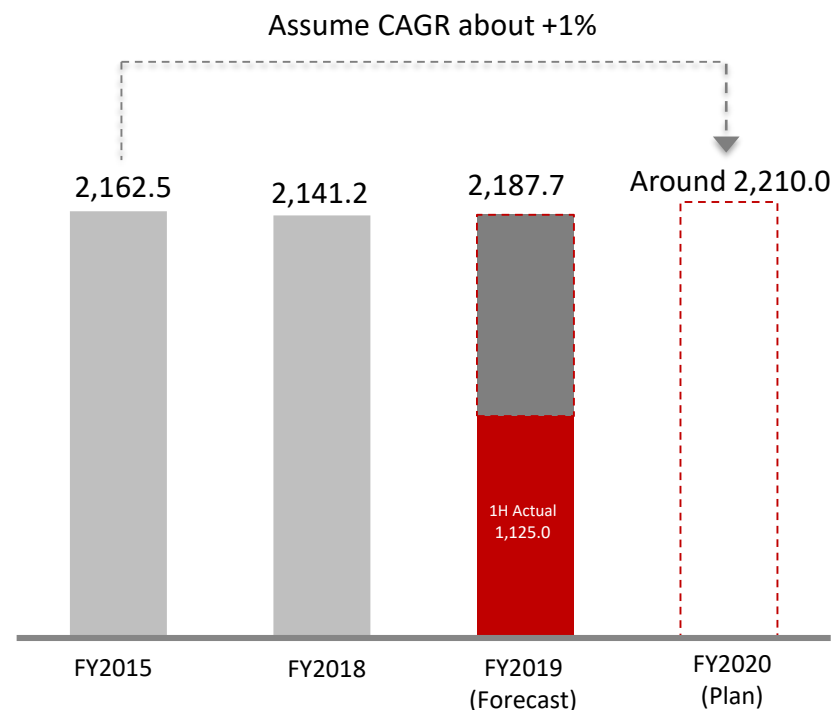
(Billions of yen)



*1 Revised adjusted consolidated profit, assuming an incurred loss on domestic natural disasters of ¥53.0 billion (equivalent to the historical average and estimated amount in initial forecasts for FY2019)

Net premiums written (Sompo Japan Nipponkoa)*2

(Billions of yen)



*2 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.

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

Key Points for Domestic P&C Insurance

- ◆ Improvement of profitability and qualitative evolution in light of changes in customer needs have progressed.

(1) Improvement of customer satisfaction in existing business

Strengthened measures to improve quality and enhance productivity, with an improving trend in customer satisfaction

Channel Innovation Growth

Strengthen support for agency

- Build business foundation
- Improve autonomy and productivity
- Improve administrative quality
- Sales

Innovation of claim services

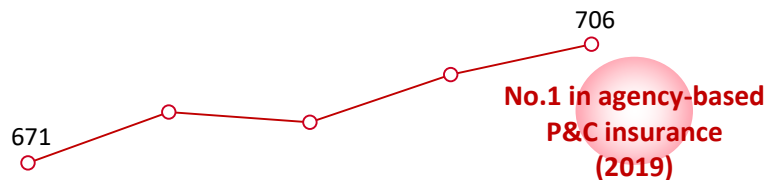
Provide security

- One to one service
- Polite approach

Speed

- Utilize digital technology
- Simplify rules

<Automobile insurance claims satisfaction*1>



*1 J.D. Power automobile insurance claims satisfaction (Perfect score : 1,000)

(2) Growth strategy

Organically expand new customer contact and new products and services, in order to continuously increase the number of customers

LINE*2 platform

Customer contact & Information control

One to One marketing

AI Chatbot

- Distribution of maturity notices
- Links with personal website accounts

SOMPO Park

LINE platform

*2 Messaging app

Claim services

Business ecosystem of 80 million people

Insurance products

LINE-based accident reporting/claims service

AI-based automated repair estimates

- LINE-based accident reporting/claims service
- Automobile photograph support/ AI-based automated repair estimates
- Complete the entire process from accident reporting to claims payment in as little as 30 minutes
- Around 20% of all cases can be processed with AI-based estimates

Easy-to-purchase insurance

New customer experience

- LINE insurance with 9.3 million friends
- Track record of 220,000 policies sold cumulatively
- Small amount and short-term insurance company "Mysurance"
- Launched on Mar, 2019

Direct business (Saison Automobile & Fire)



LINE Financial

- ✓ Mainly due to differentiated product, No.1 growth rate in the industry
- ✓ Became the industry's third largest direct P&C insurer through a merger with Sonpo 24 Insurance Company Limited in July 2019

おとなの
自動車保険

Progress of Overseas Insurance

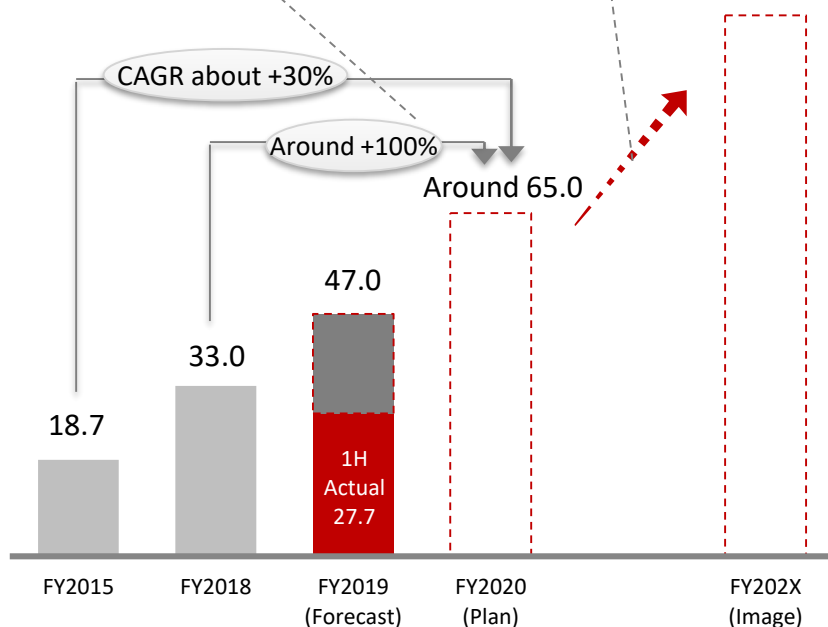
- ◆ Plan to expand FY2020 profit based on steady organic growth centering on specialty lines.
- ◆ Aim at further expansion of overseas insurance business weight through consolidating and expanding retail platform.

Plan for adjusted profit

(Billions of yen)

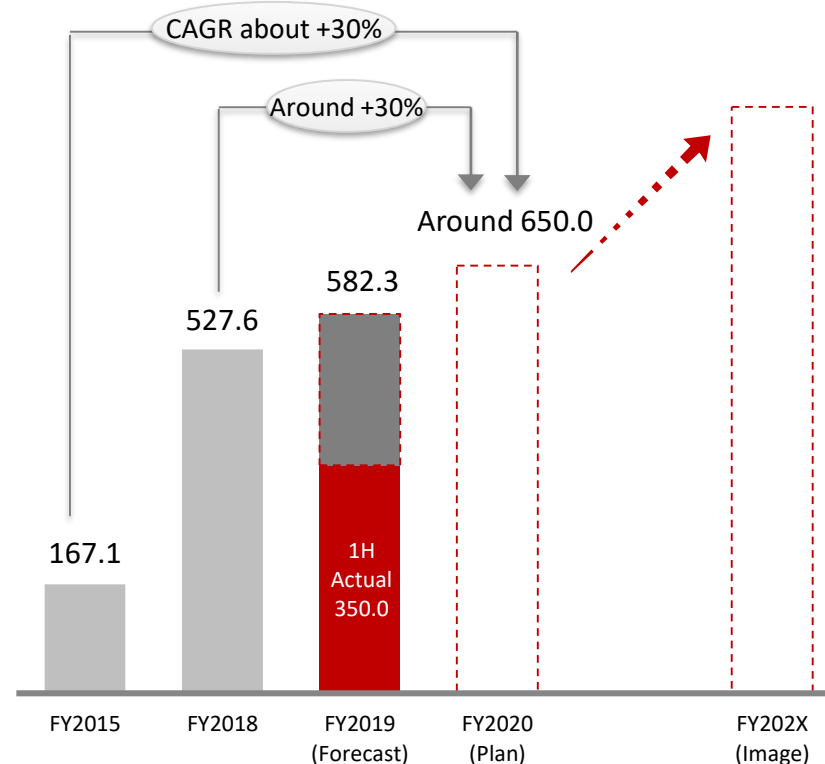
Plan to expand steadily, based on expansion of specialty lines by leveraging global platform

Aim to grow further through leveraging retail platform M&As, etc.



Premiums*

(Billions of yen)



* Remove the portion attributable to Sompo Canopus due to sales completion. Premiums reflect holding shares. This treatment does not coincide with consolidated financial statements.

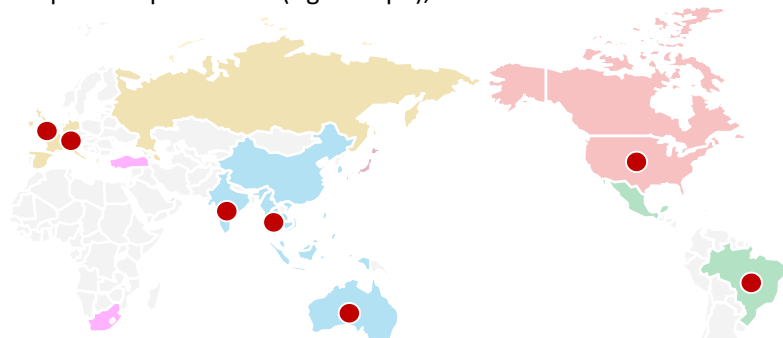
Key Points for Overseas Development

- ◆ Commercial business has expanded steadily centered on specialty insurance, while global platform is being consolidated in retail business.
- ◆ Aim at around +10%: CAGR of net premiums over mid-term.

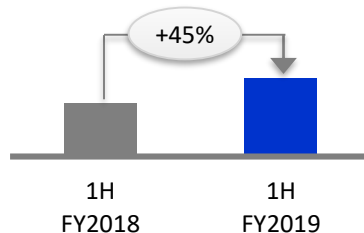
(1) Strategy in commercial platform

- Accelerate to expand globally with utilizing SOMPO's licenses and SI's expertise centered on crop insurance and specialty insurance.

<Expand crop insurance(AgriSompo), etc.>



<Gross premiums written in professional lines(SomPro, etc.) >



+

(2) Strategy in retail platform

- Aim for a premium growth rate and profitability at the industry's top level in each country's market by creating a consolidated retail platform by FY2020.

Start sharing expertise / personnel exchanges (FY2019)

Provide solutions that fit the actual conditions of each country's market



Reorganization(FY2019)

Successively realigning major overseas Group companies under SI



(3) Bolt-on type M&As

- Continue to selectively consider bolt-on type M&A to contribute to greater geographic and product diversification and support further growth.

Mid-term target

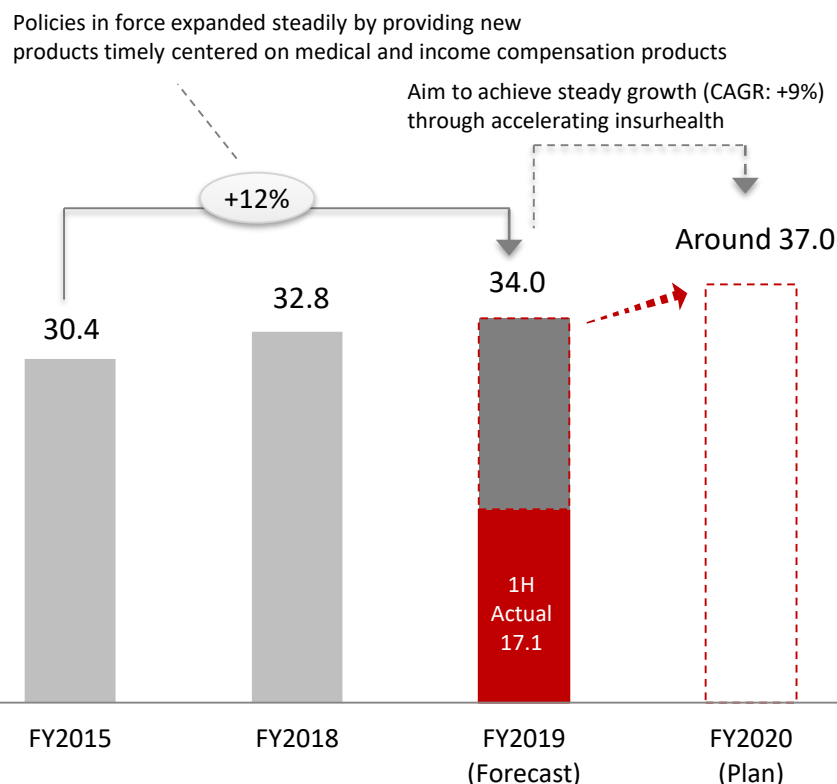
Expand net written premiums exceeding industry average growth (CAGR : around +10%) and enhance profitability drastically.

Progress of Domestic Life Insurance

- ◆ Plan to achieve profit growth through expanding policies in force centering on protection-type products.
- ◆ Aim at further growth by accelerating Insurhealth (products and services) with health support function.

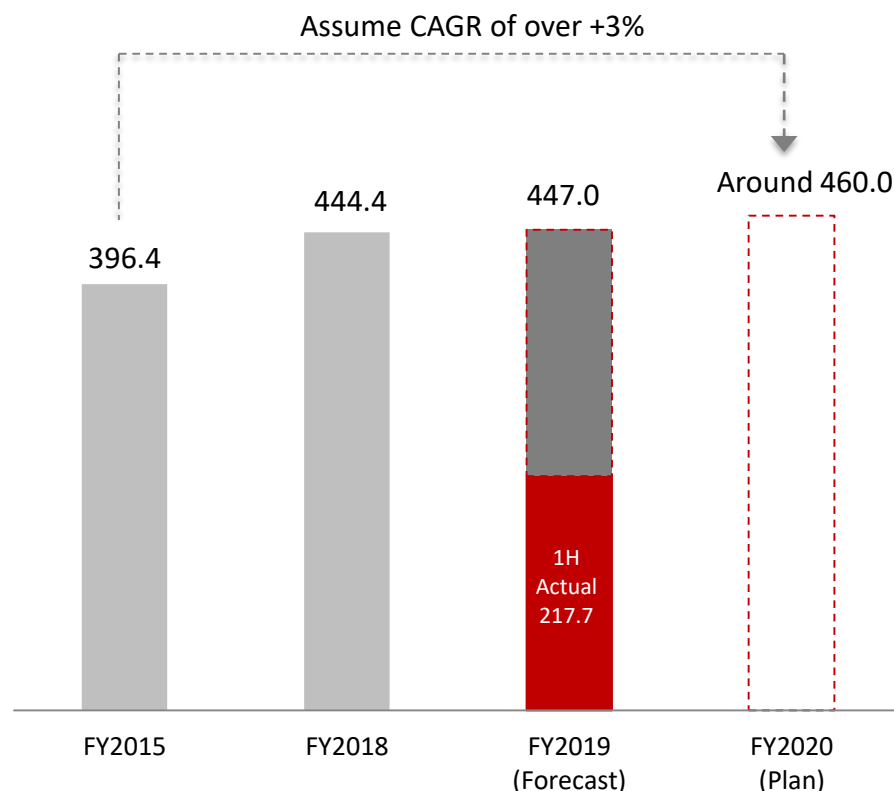
Plan for adjusted profit

(Billions of yen)



Premium and other income

(Billions of yen)

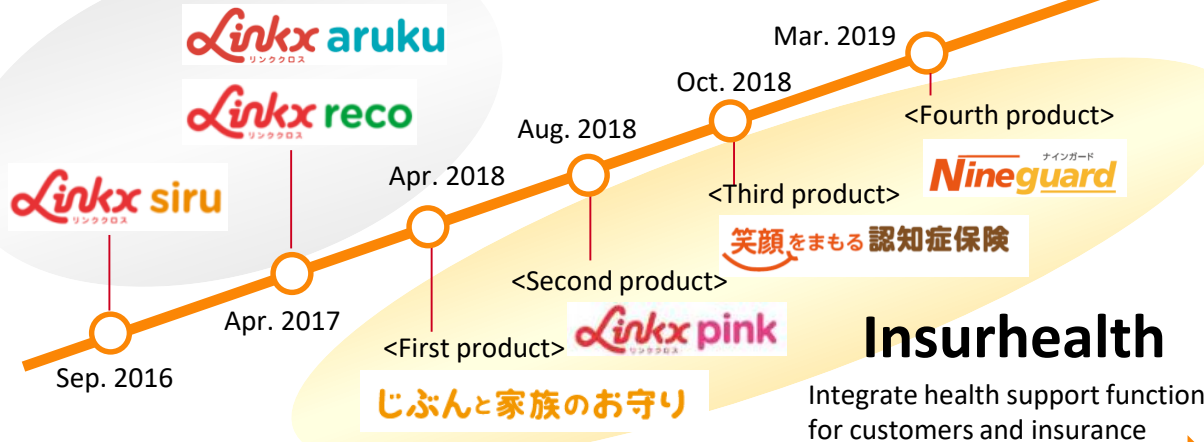


Key Points for Domestic Life Insurance

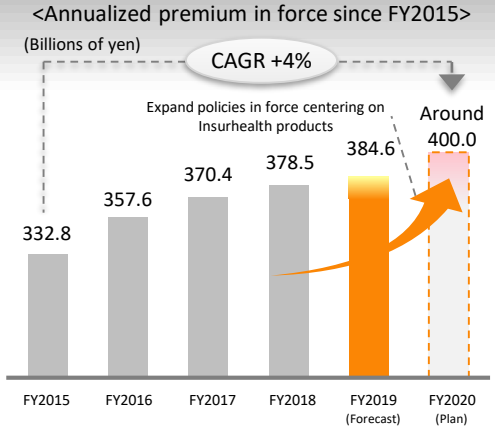
- ◆ Aim at growth by launch of new “Insurhealth” products as well as higher efficiency.

Healthcare service

New Growth Strategy

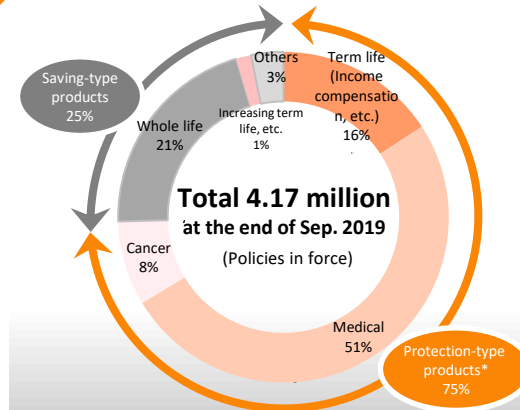


Expand policies in force



Product mix focusing on Protection-type products

Enhance profitability and resilience to interest rate risk by expanding the portfolio of protection-type products centered on Insurhealth.



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

Evolve into a health support enterprise

Human Resource

- Transformation of personnel structure (integrate job positions and revise remuneration system)

Business Innovation

- Concentrate administrative work at head office
- Promote Paperless

Workstyle Innovation

- Flexible workstyles (telework and “Premium Friday”)
- Introduce hot desking

Health & productivity management

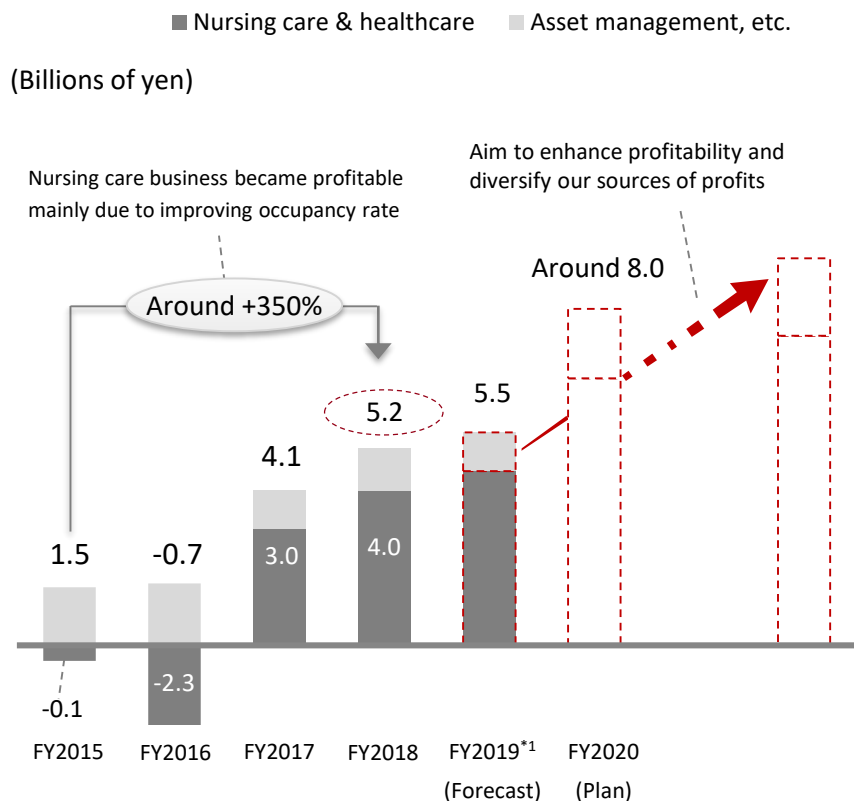
- No smoking at any time during work hours

Drastic improvement of profitability

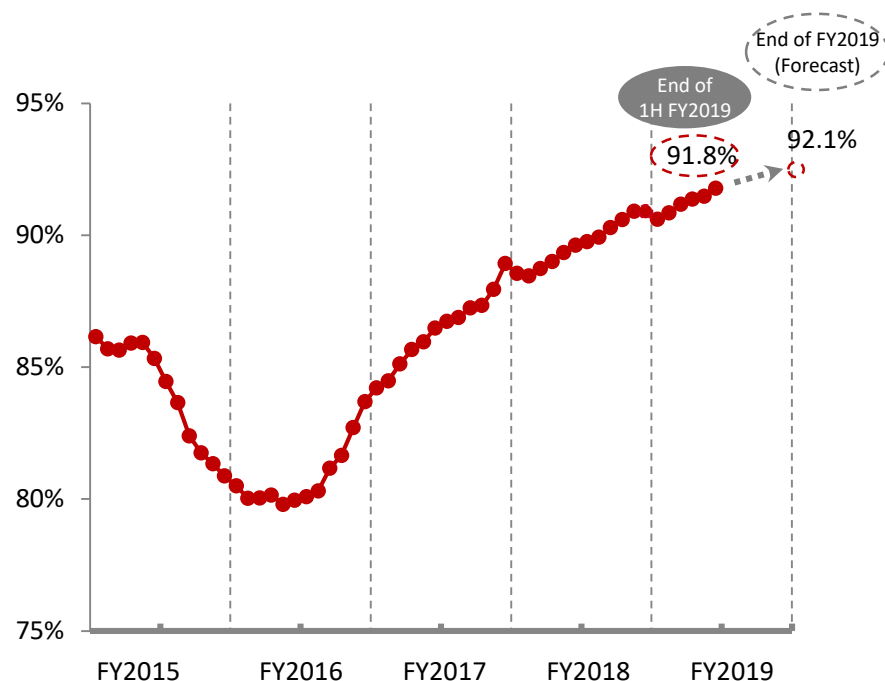
Progress of Nursing Care & Healthcare, etc.

- ◆ Adjusted profit has grown as occupancy rates have steadily improved, with plans to enter an earnings growth phase led by productivity improvements going forward.
- ◆ Strive to ensure a stable business foundation over the medium term through measures such as improving remuneration to secure personnel.

Plan for adjusted profit



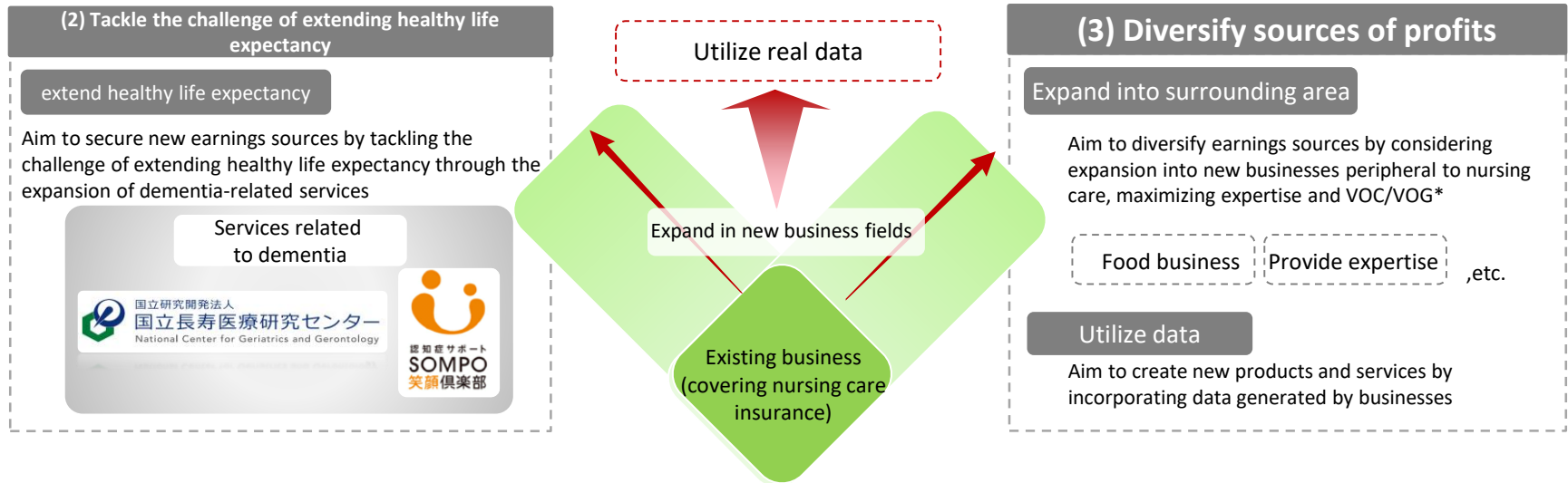
Occupancy rate*2



*2 Integrate occupancy rate of former SOMPO Care and SOMPO Care Next

Key Points for Nursing Care Business

- ◆ Drive sustainable growth in profits by improving productivity with digital technology, one of the Group's strengths.
- ◆ Aim to stabilize earnings and diversify earnings sources through measures such as promoting dementia-related services and expanding peripheral businesses.




(1) Enhance profitability in existing business

Improve stand-alone basis profitability further with the aim of removing the supply-demand gap for nursing care workers through improved productivity and better remuneration, while promoting human-ICT integration

Higher efficiency

Secure human resources

- ◆ Utilize digital technology
 - Accelerate to utilize "Future care lab in Japan"
- ◆ Improve operating processes
- ◆ Enhance remuneration(From Oct. 2019)
 - Aim for a level on par with nursing care professionals



Future Care Lab in Japan

e.g. Sleep sensor

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2. Businesses

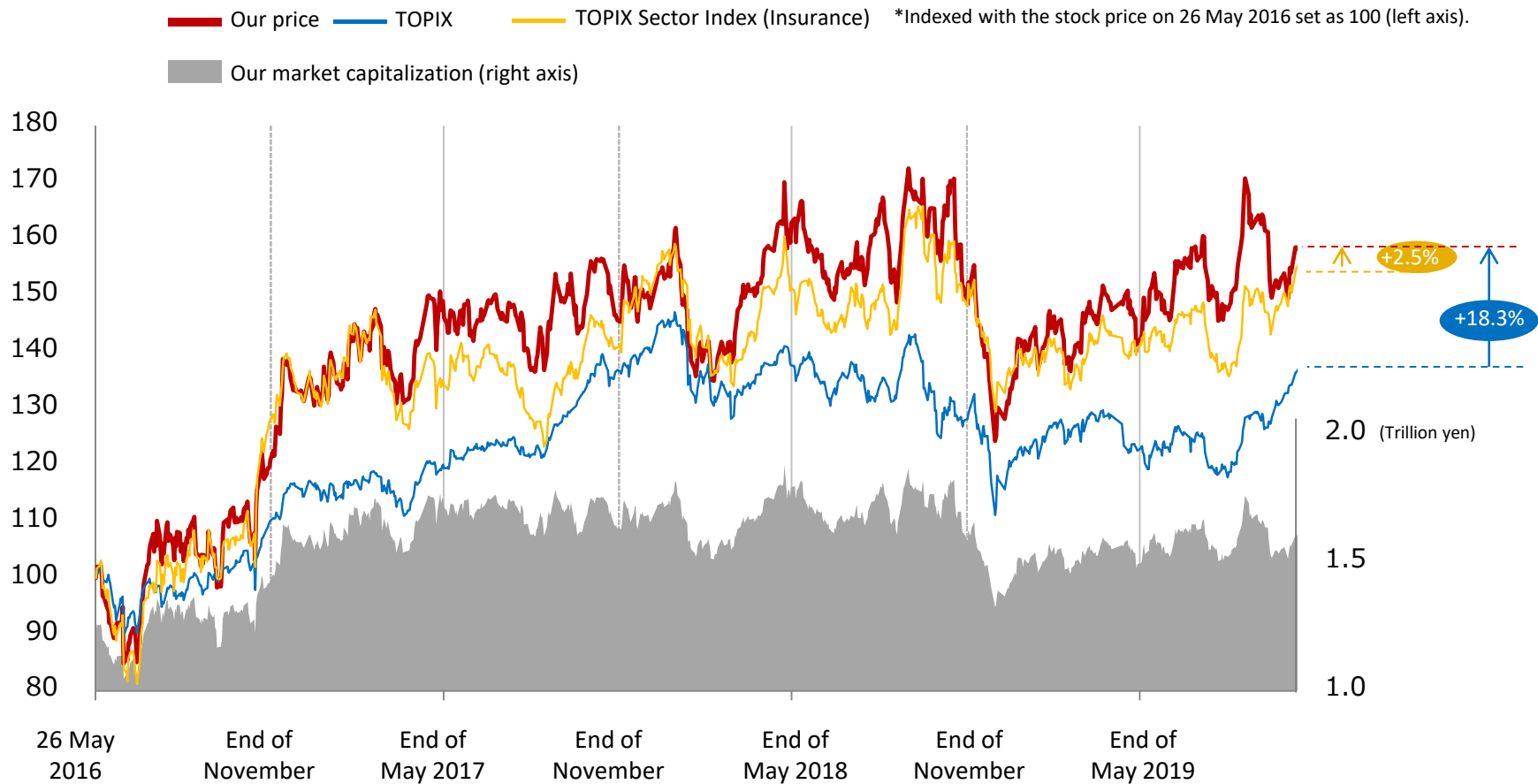
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Stock Price (Total Shareholder Return)

◆ 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 22 November 2019)

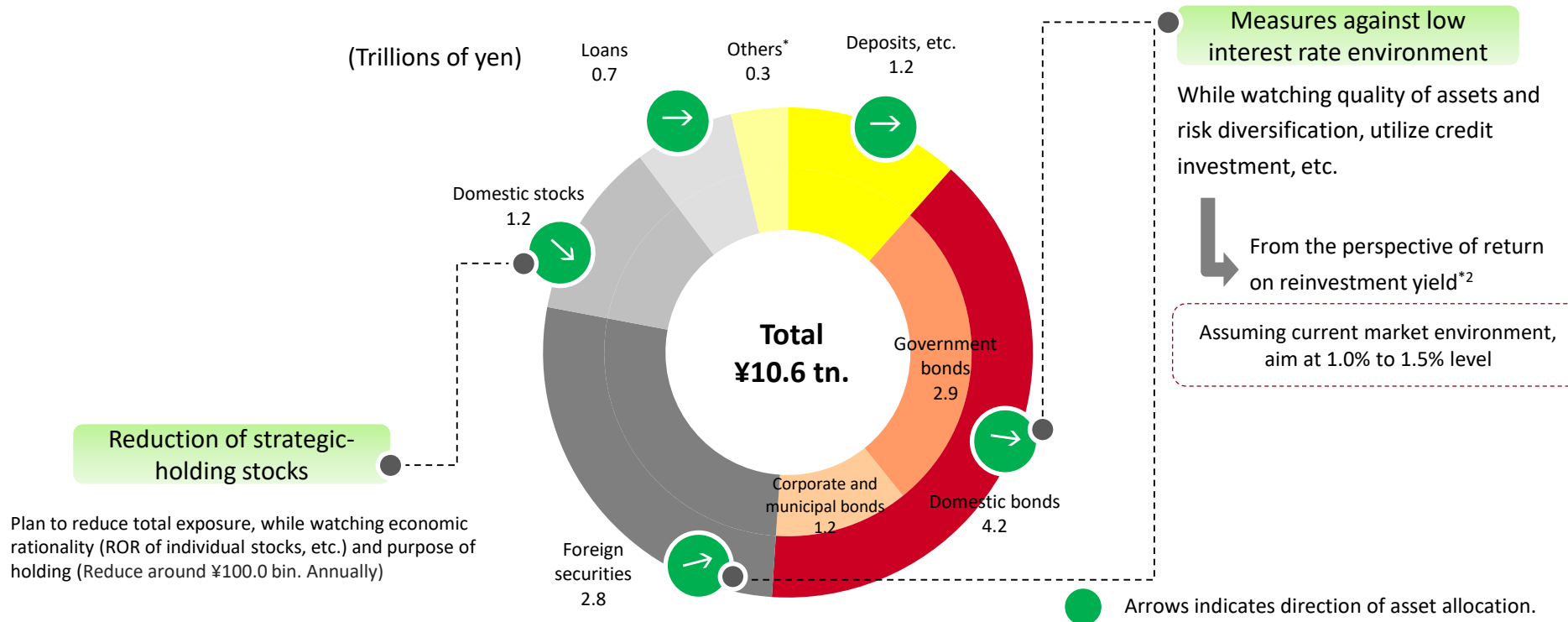


* Stock price above shows total shareholder return (ratio of return after reinvestment of dividends before tax)

Group Asset Management

- ◆ No change in plans to maintain stable asset management, taking liquidity and safety 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^{*1} and asset management policy



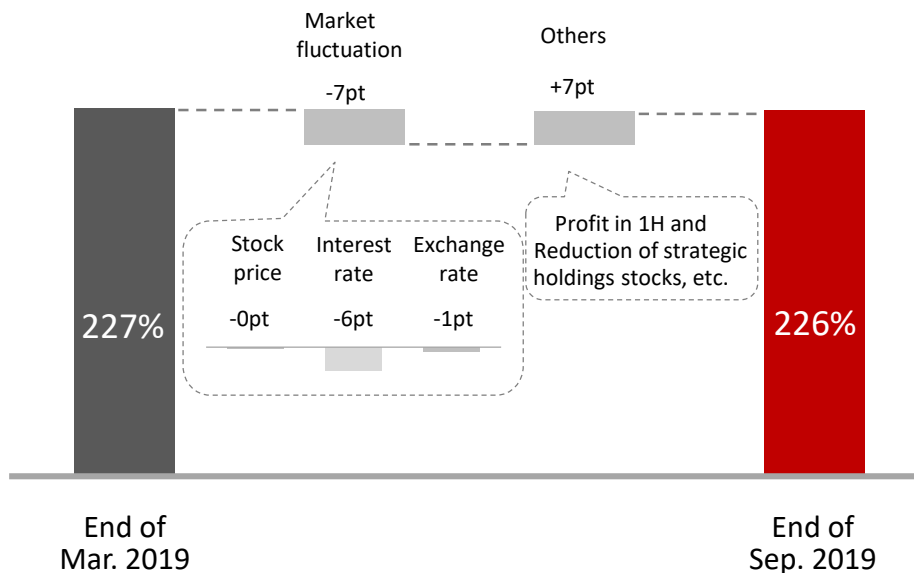
*1 End of Sep. FY2019, group-wide basis (Trillions of yen)

*2 Sompo Japan Nipponkoa general account and yen-interest assets, etc.

Financial Soundness – ESR (99.5%VaR)

◆ ESR (99.5%VaR) as of end of 1H FY2019 was 226%, stayed at target range level.

Trend of ESR (99.5%VaR)*1



*1 In accordance with Solvency II

Target range is around 180% to 250% (99.5%VaR).

250% level: The level set based on capital efficiency (ROE).

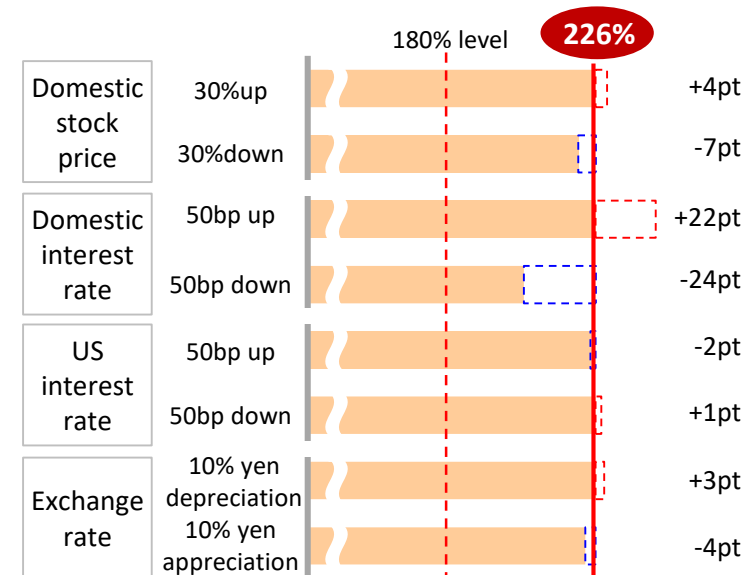
180% level: The level leading to stable financial soundness, based on the result of stress test, etc.

Typical actions in case of constant deviation from target range

【Over 250% level】 Consider additional risk-taking (investments in growth fields) and enhance shareholder returns by share buy-back and others

【Under 180% level】 Execute a variety of measures to reduce risks, consider enhancing capital buffer by hybrid bond issuance, etc. and retain more earnings and others

Sensitivity of ESR (99.5%VaR)



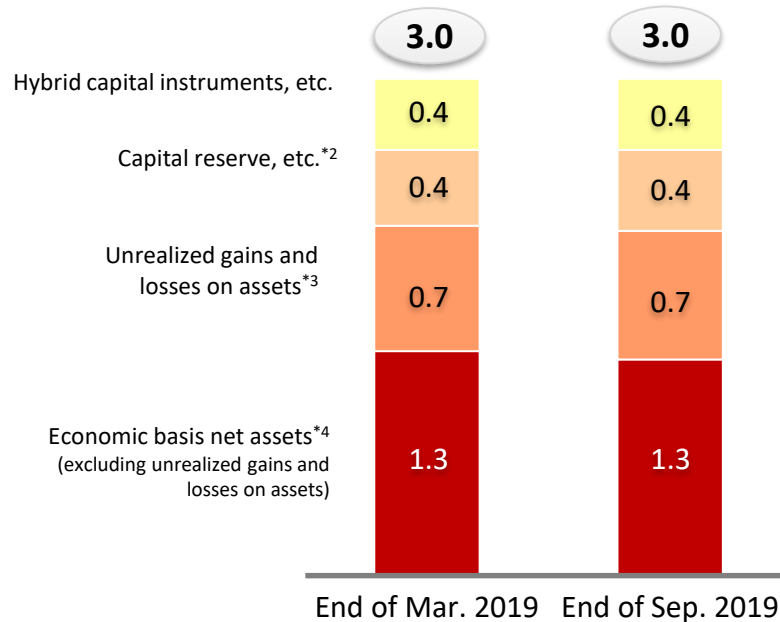
(Reference) Market indicators	End of Sep. 2019	(change*2)
Domestic stock price (Nikkei 225)	¥21,755	(+2.6%)
Domestic interest rate (30y JGB)	0.37%	(-13bp)
U.S. interest rate	1.66%	(-74bp)
Exchange rate (JPY/USD)	¥107.92	(-2.8%)

*2 Against the end of March 2019

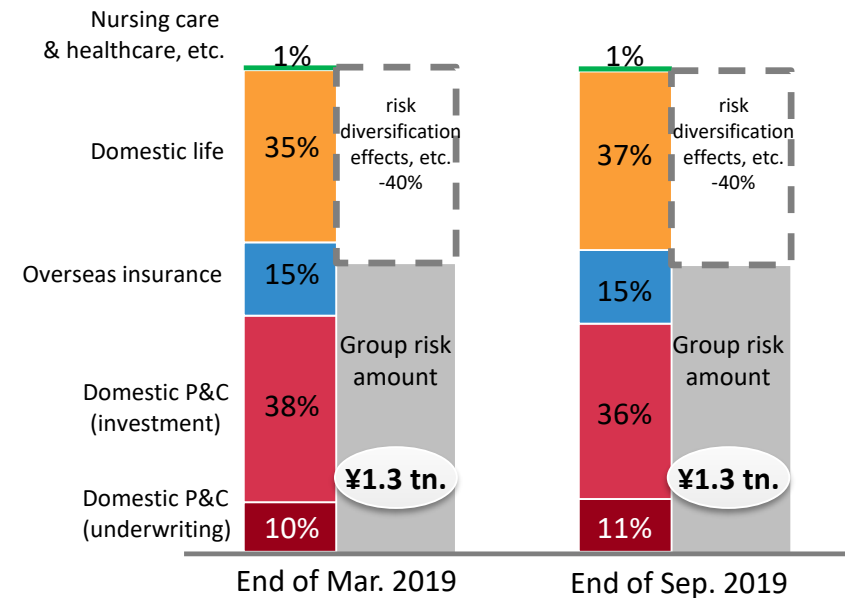
Breakdown of Adjusted Capital and Risk

Adjusted capital*1

(Trillions of yen)



Risk amount*5



*1 Formula for adjusted capital: Adjusted capital = Total of net assets on the non-consolidated balance sheet + value in force – goodwill, etc.

+ unrealized gains and losses on non mark-to-market assets + capital reserve, etc. + hybrid capital instruments

*2 Reserve for price fluctuation and catastrophic loss reserve, etc. (after tax)

*3 Unrealized gains and losses on securities, etc., including non mark-to-market assets.

*4 Total of net assets on non-consolidated balance sheets, and value in force of P&C and life insurance business. (excl. goodwill and attributable to non-controlling shareholders, etc.)

*5 Risk : 1 year holding period, 99.5% VaR

• Risk amount of each business : Before reflecting risk diversification effect among businesses and before-tax basis.

• Group total risk : Sum of risk amount of each business less risk diversification effect among businesses and tax impact.

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.

Contacts



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