

Small Meeting of Outside Directors Q&A (October 3, 2022)

SOMPO Challenges

Q. What are the current key issues for SOMPO?

A. The insurance business is challenged by changes in the market, population structure and external factors. The idea of adapting of these changes through transformation and innovation is appropriate and hopeful. Since SOMPO is not in the business of selling goods, intellectual property and innovation are important, and SOMPO's Purpose will lead to real value creation. In this regard, we believe it is important to deepen the understanding of our employees and to implement a system of delegation of authority and personnel reforms to put this understanding into practice. So far, the Purpose penetration mechanism has worked. While management conducts direct dialogue with employees at Town Hall Meetings and other internal events, outside directors also conduct interviews with employees above a certain level in a fairly careful manner. We recognize that we need to carefully explain our value creation story to investors by putting it into KPIs and milestones.

Governance Structure and Succession Plan

Q. What is the background of the executive structure consisting of the Chairman and Representative Executive Officer/Group CEO and the President and Representative Executive Officer/Group COO? Will the current system continue for the time being?

A. At this point, we believe that the current system is the best, but it does not mean that this form will continue indefinitely. We believe that changes at the top need to be handled with particular caution and that a gradual shift is desirable. COO Okumura is certainly a strong candidate for the next CEO, but SOMPO is still in the early stages of the current transformation, and we want to determine the right person by considering the necessary skill functions when we see our current progress more.

Q. Does the business owner/CxO system allow for quick decision-making and risk-taking?

A. While the business owner system is intended to clarify management responsibilities, each CxO post is assigned according to Somp'o's strategy and will be reviewed from time to time depending on the situation. If you ask the CxO's about their current mission, they can answer clearly, and we evaluate it as an appropriate structure which is in line with Somp'o's strategy. The CxO's have good relationships with each other and work efficiently.

Executive Compensation System

Q. What is your view on the compensation gap between internally promoted directors and outside directors?

A. In order to attract promising talent in the market, you need to ensure a level of compensation commensurate with the market. We believe that it is important to pursue compensation based on performance regardless of one's home country or attributes, and we would like to deepen our discussions in the future.

Effectiveness of the Board of Directors

Q. Is the voice of capital markets shared and discussed by the board?

A. Reports of IR meetings as well as indications and recognition gaps from the capital markets are shared from time to time at the Board of Directors. In addition, the progress and initiatives of the Medium-term Management Plan are reported to the Board of Directors with the opinions of the capital markets. Going forward, we recognize the need to provide the capital markets with a solid explanation of how Sampo's transformation is completed and how its corporate value will increase, and we hope to further deepen our communication with the capital markets.

Strategic Holding Stocks

Q. How do you view and evaluate the reduction of strategic holding stocks?

A. While we understand Japanese business practices, our precious capital should be revitalized and utilized in our core business. Sampo Japan has cut its strategic holding stocks by 1.3 trillion yen from fiscal 2010 to 2021, and agrees with its management plan to cut 150 billion yen over the period of its current medium-term management plan through fiscal 2023 and use it for growth investments such as mergers and acquisitions. Ideally, they should not hold strategic holding stocks except for strategic investments, and outside directors monitor their execution as much as possible in accordance with the wishes of investors. We understand these are important assets and the appropriate timing to sell them is determined based on the evaluation of each stock. As an outside director we understand the high interest of investors. We would like to watch management's progress through numerical targets and ask for a solid explanation of why we hold strategic holdings stocks and when and how we will use the capital obtained through the reduction of these stocks.