

## IR Meeting Q&A (November 25, 2022)

### Overview

Q: The ROEs of the global property & casualty insurers are high around 15% to 20%. Any room for your company's ROE going up to 10% or above in the Medium-Term Management Plan for the next term?

A: We recognize that ROE is an extremely important indicator. First, we ensure to achieve 10% ROE, one of the targets of the current Medium-Term Management Plan. In a medium to long term, we will further improve the capital efficiency and aim for sustainable growth, through creation of new value with a focus on RDP, while valuing the insurance business—the Group's origin.

Q: I have a good impression of the Sompo Group, because you make a clear explanation on your human resources compared with other financial institutions. However, the number of employees who completed My Purpose training remains at just about two-thirds of the total employees. Any efforts for speedup?

A: For dissemination of My Purpose, we have held Town hall meetings at global level for no less than 2,000 participants each time, making the total accumulated number of participants close to 20,000. Employees from all businesses participate and inspire each other across different businesses. In a bid to realize “a theme park for security, health and wellbeing,” which was launched in the previous Medium-Term Management Plan, nothing is more important than each employee's My Purpose. We always say to our employees to hold their My Purpose as a principle and use the Sompo as a place or a tool to materialize their My Purpose. We believe that the enhancement of employees' engagement is likely to lead to corporate growth through more innovation. Taking increasing employee engagement as one of the biggest missions of the CEO, we will continue to hold Town hall meetings and pursue relevant efforts.

### Conglomerate Premium

Q: What is the breakdown of the 20 billion yen, the effects of conglomerate premium for FY2023? You have implemented a capital transfer of 200 billion yen from the domestic P&C business to the overseas insurance business. Please elaborate on the specific measures to be taken in FY2023 onward.

A: We have started with asset management, and retention and reinsurance that have potential for effects in a short run, and we expect the mid-10 billion yen from asset management in FY2023. As for retention and reinsurance, we are figuring out the actions to take, viewing the trend of reinsurance market. On the multinationals front, the global underwriting systems for cyber insurance and D&O have been taking shape, and, in fact, we have already closed new contracts under the global programs with customers we had no business relationship before. From now on, we will further refine the programs and make a few-billion-yen-level contribution to the top-line. In a medium to long run, we have carried out a 200-billion-yen capital allocation, in order to flexibly take more risks to make organic growth through geographical diversification and bolt-on M&As. There is no end to the creation of conglomerate premiums, and we will continue to evolve in this regard.

### Capital Management and Shareholder Return

Q: What is the reason for ESR decline to 242%?

A: ESR hit 242% as of the end of September FY2022, down about 12 points from 255% as of the end of June. Although the ESR increased 4 points due to lowered risks by acquisition of ultra-long-term bonds and reduction of strategic-holding stocks, there was a negative bringing down the ESR by 9 points because of net loss and mid-term dividend payment, as well as other factors such as additional risk-taking activities

mainly in overseas and the market environment.

Q: There was a downswing in the business performance. Please share your thoughts on the pace of dividend increase by 50 yen?

A: We said in the beginning of the fiscal year that we had decided the pace of dividend increase by 50 yen for FY2022, based on the simulation result which showed that a 50-yen increase is feasible for FY2023. We have made a downward revision to the FY2022 forecast, due mainly to one-time factors. However, it is the company's basic policy for shareholder returns to increase dividend in accordance with profit growth, and thus, we will continue to follow the policy in the future.

Q: Given the basic return of FY2021, can we expect an additional return of 40 billion yen or more for FY2022?

A: We check our excess capital every period, and it is our policy to consider an additional return if the excess capital is greater than expected. For the first half of FY2022, we did not reach a conclusion to execute an additional return, in light of factors including the decline in unrealized gains due to changes in market conditions and the downswing in the business performance. We would like to decide shareholder returns for the full year of FY2022, after determining the status of growth investment and the business performance of the second half of the fiscal year. We have several criteria for additional return, and our management is specifically paying attention to one of them, "maintaining the return amount of the previous fiscal year, when profit declines due to one-time factors such as natural disasters." We would like to discuss and decide our policy at the board meetings after determining risks and the capital status in the outlook of the future growth investments, the business performance of the second half of the fiscal year, and market conditions.

#### Domestic P&C Insurance Business

Q: In order to jump from 90 billion yen adjusted profit (excluding one-time factors in the Domestic P&C) in FY2022 to 150 billion yen in FY2023, you will need to add 60 billion yen. What are the drivers other than the earning structure reform?

A: We are sure that adding approximately 35 billion yen is highly likely, given the premium growth mainly in the fire & allied insurance and casualty (other) insurance, on top of the earning structure reform, such as the rate (pricing) and resources optimization for the fire & allied and automobile lines. In addition, we can expect the effects from the creation of conglomerate premium. Moreover, if the automobile accident rates and unit prices of repair costs, which was estimated conservatively, turn out as we expect, we will get even closer to the plan target.

Q: While reinsurance premiums are expected to increase in FY2023, how is the domestic P&C going to handle the ceding costs?

A: In preparation for higher-than-expected ceding costs, we have been working on both creation of conglomerate premium and top-line growth of Sompo Japan.

#### Overseas Insurance Business

Q: In the total North America market, the impact of hurricanes this year doubled that of the previous year; SI Commercial P&C is getting even more impact than that. Will these results have any influence on your risk-taking policy for overseas natural catastrophe in the future?

A: In accordance with our policy that the exposure to natural catastrophe risks should be lowered over a medium to long term, the Sampo Group has been taking measures, mainly in SI Commercial P&C, such as geographical diversification, exposure limit management, and withdrawal from less profitable businesses. We do not see the exposure to natural catastrophe becoming large against the premium growth. We believe that we do not have any Florida homeowner insurance in our portfolio of SI Commercial P&C, either. In the future, we may either take short-term natural catastrophe risks or offset risks even with additional reinsurance costs. We may take either option; but we have not yet finalized our decision. We believe that we should make decisions based on a comprehensive view, taking into account rising underwriting premiums and our Group's capacity. In terms of underwriting natural catastrophe risks, it is true that the reinsurance has a higher return on capital than original insurance; however, it is too early to talk about the underwriting policy at this point. In FY2017, when natural disasters of magnitude similar to this year happened, the impact to the combined ratio was 22%, while it was only 7% in this fiscal year. This shows that our current business portfolio is large in size and effectively diversified even in comparison with our peer companies' and our own past portfolios. We believe that the competitiveness of SI Commercial P&C has been rising.

Nursing Care RDP
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Q: How heavy is the burden of system investment for nursing care providers to implement "egaku"? Does the system import hardcopy data?

A: To implement "egaku," we will ask vendors of nursing care provider to provide us with their data. One of the advantages of Palantir's platform, on which "egaku" operates, is that it can centralize data including nursing care records and human resources data that are now stored in various locations, as well as managing and analyzing the data. The system "egaku" not only provides applications but also builds a system foundation as part of its services. Since "egaku" uses a cloud system, it does not require nursing care providers to make a heavy system investment. To acquire data from nursing care providers, "egaku" can be directly linked with systems of their vendors, making no large-scale system development necessary in this respect. Considering circumstances of many nursing care providers, "egaku" is an easily implementable system. Moreover, we will provide various support such as for system implementation and hardcopy data import, which, we believe, is one of the strengths of "egaku."