

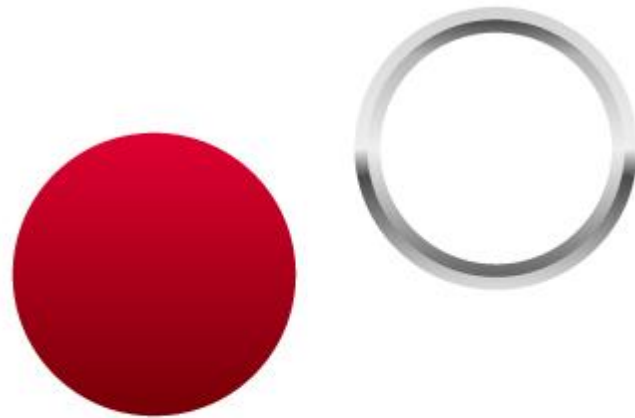
Progress of Mid-Term Management Plan

May 28, 2020

Sompo Holdings, Inc.



SOMPO response to COVID-19



S O M P O

KEEP DISTANCE

<https://www.sompo-hd.com/en/company/effort/>

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1. Group management

2. Businesses

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

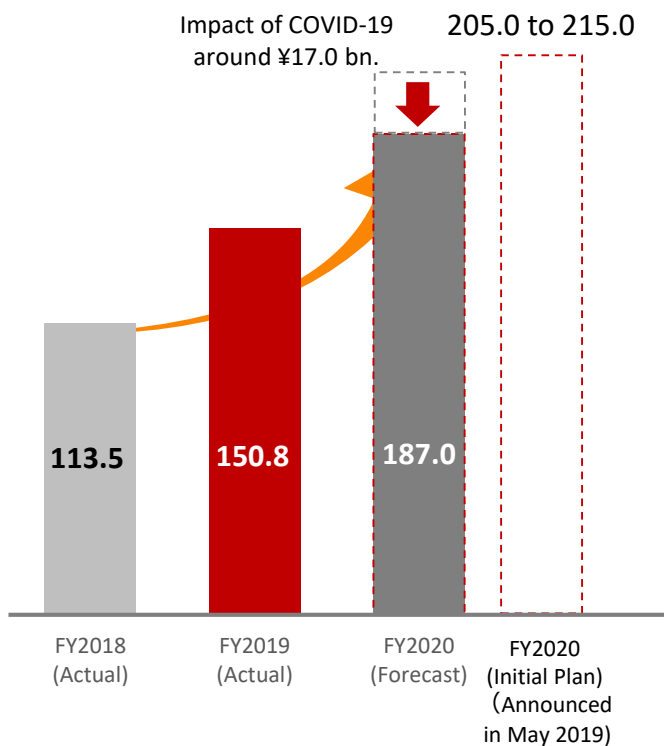
3. Reference

Progress of mid-term management plan

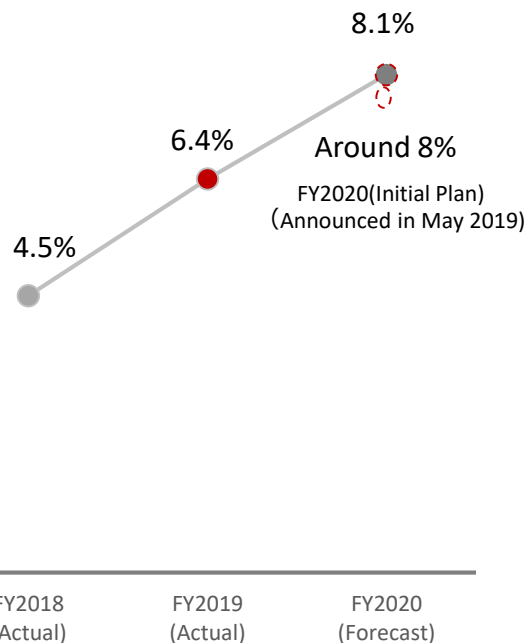
- ◆ Adjusted consolidated profit for FY2020 is expected to increase by ¥36.1 billion yen against FY2019, while nearly achieving initial FY2020 plan.
- ◆ While we can't clearly predict the impact of COVID-19 yet, the mid-term plan has progressed steadily so far.
- ◆ With profit expansion, plan to increase dividend per share for FY2020 for the seventh consecutive year.

Adjusted consolidated profit

(Billions of yen)

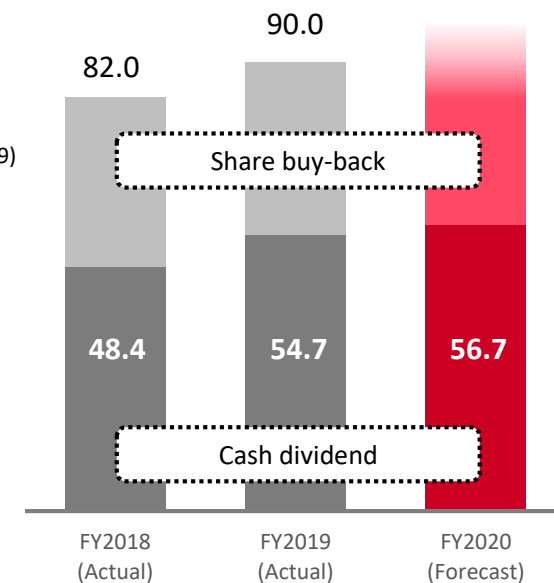


Adjusted consolidated ROE



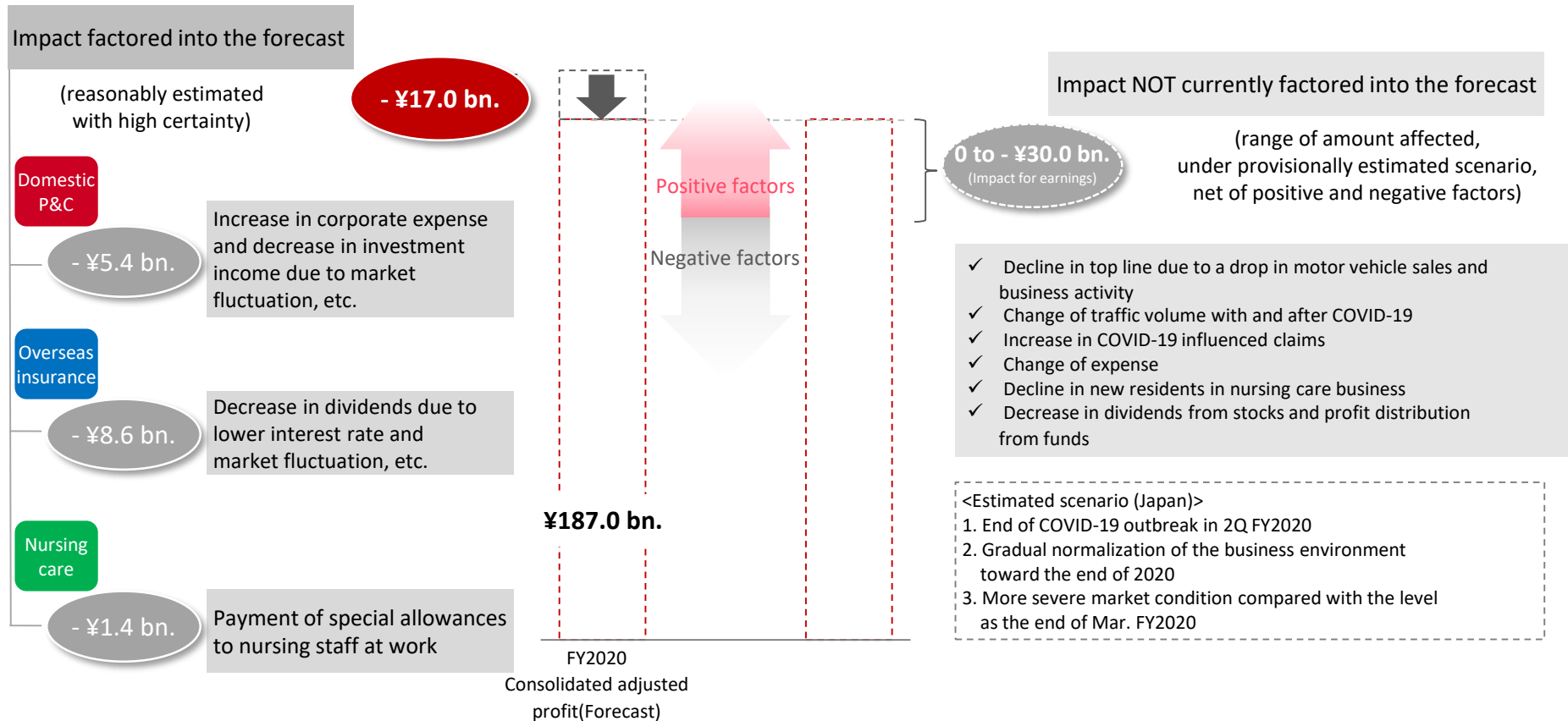
Amount of total return

(Billions of yen)



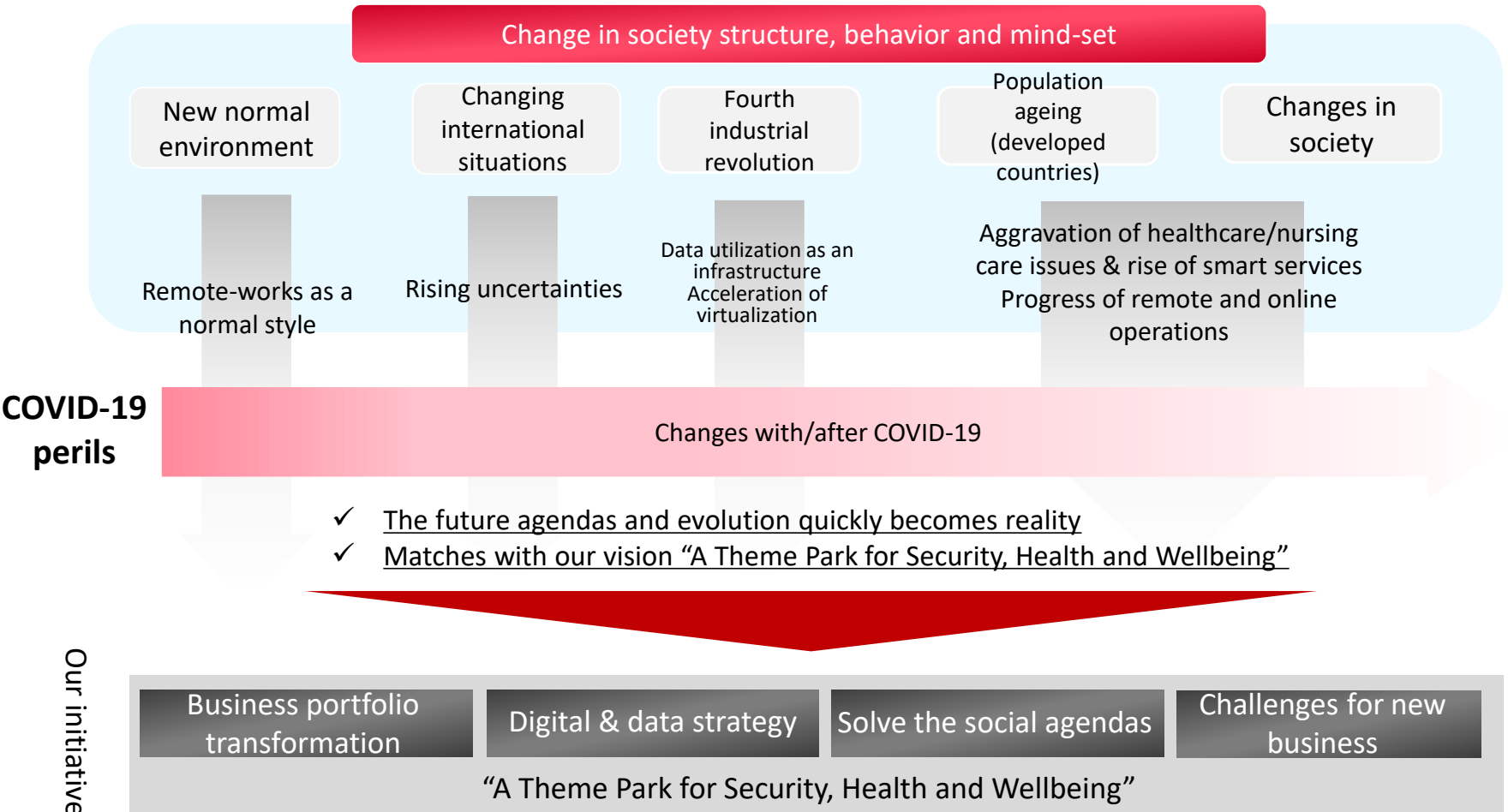
(Reference) Impact of COVID-19

Impact for the forecast for FY2020



Change in society structure and behavior with/after COVID-19

- ◆ To survive VUCA era, executed our initiatives toward group transformation.
- ◆ COVID-19 will change drastically society structure, behavior and mind-set going forward. The future agendas and evolutions became reality.



Group mid-term direction

- ◆ Accelerate our initiatives toward our vision “A Theme park for Security, Health and Wellbeing” looking ahead to future changes in social structure.
- ◆ Aim to provide total solutions responding to customer needs in the end.

Group mid-term direction

“A Theme Park for Security, Health and Wellbeing”

Initiatives toward “A Theme Park for Security, Health and Wellbeing”

(1) Scale and diversification



(2) Beyond insurance



(3) Providing new values

Scale and diversification enhance profitability and resilience

Enhance services with new businesses beyond insurance

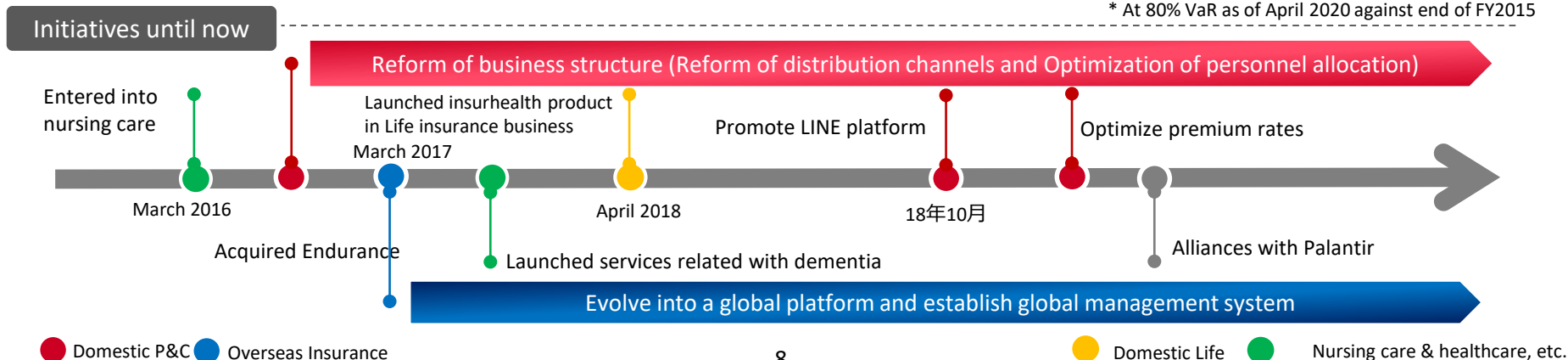
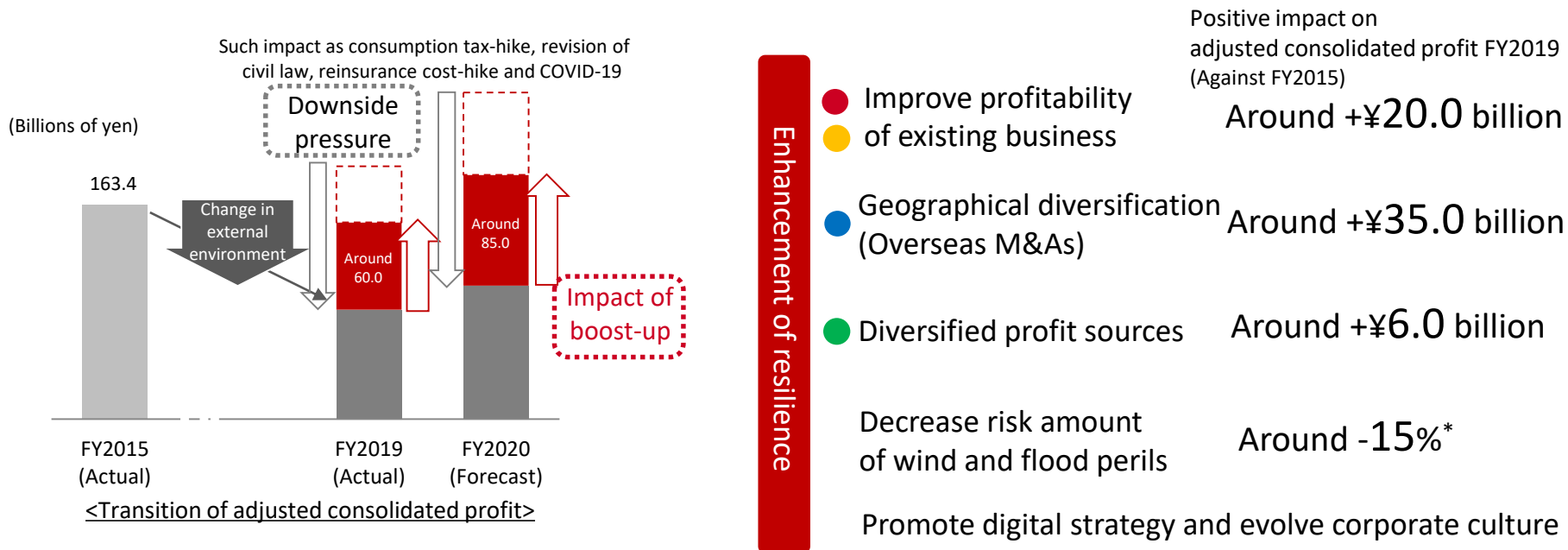
Solve the social agendas through maximizing values of “real data”

(4) Dramatically improve productivity and innovation

Higher productivity through reform of working practices

Prioritized initiatives in FY2020 (1) Scale and diversification - strengthening group resilience

- ◆ Our initiatives toward qualitative transformation has enhanced Group resilience.
- ◆ Under COVID-19 perils, our active digital strategy underpins our solid business foundation.



Prioritized initiatives in FY2020 (1) Scale and diversification - strengthening group resilience

- ◆ Promote optimization of premium rates and improvement of loss ratio further.
- ◆ Through accelerating reform of working practices, aim to further enhance our values with output oriented culture as well as higher value services.

Impact of boost-up on Adjusted profit*¹
Around +¥20.0 billion

Improvement of loss ratio



Around +9.0 billion

- ✓ Improvement of profitability on corporate lines, etc. (Domestic)
- ✓ Underwriting in collaboration with SI (Overseas)*²

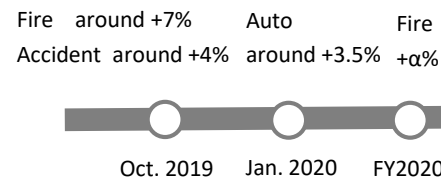
Around +7.0 billion
Around +2.0 billion

Optimization of premium rates



Around +7.0 billion

- ✓ Revision of rate on retail lines (Domestic)
- Auto, fire and accident insurance



Utilize digital technology

Enhancement of productivity

(Mainly reduction of expenses in domestic operation)



Around +4.0 billion

- ✓ Invest in remote work facility
- ✓ Accelerate reform of distribution channels
- ✓ Promote digital claim settlement (Domestic P&C and life insurance)

Percentage of work from home*³
Around 85%

Downsizing of headcounts toward end of FY2020(Plan)

-4,000 staff

Currently reduced around 3,000 staff*⁴, which larger than expected

*1 Against FY2019 on rough

*2 Underwriting profit of overseas reinsurance business at Sompo Japan in FY2020

*3 HQ divisions at Sompo Japan as of end of April 2020

*4 Sompo Japan stats. as of end of march 2020 against 1st of April 2017)

Prioritized initiatives in FY2020 (2) Beyond insurance – expansion of business field

◆ Aim to expand new business field with higher affinity with existing business beyond insurance.

Newly prioritized business fields

<Newly prioritized business fields>

◆ Healthcare and wellness field

- Healthcare
- Presymptomatic and preventive disease
- Senior wellness

,etc.



◆ Emerging risks field

- Cyber security
- Digital
- Data analytics

,etc.



◆ Property field

- Maas, mobility
- Sharing services

,etc.

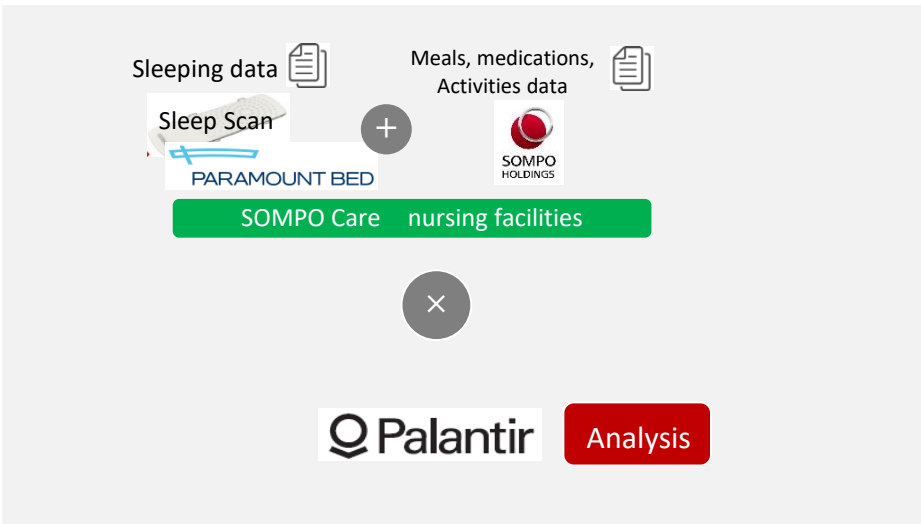


Prioritized initiatives in FY2020 (3) Providing new values – Real data platform

- ◆ Promote data utilization through digital technologies.
- ◆ Aim to create a virtuous cycle to produce added values with higher data analytics further.

Enhance data utilization

<Case of data strategy: Utilization of sleeping data with Paramount bed>



Enhancing service quality

- Provide activities contributing to favorable sleep

Higher Productivity

- Higher efficiency of nursing care staffs among midnight cycling and medication management

Providing 3rd parties

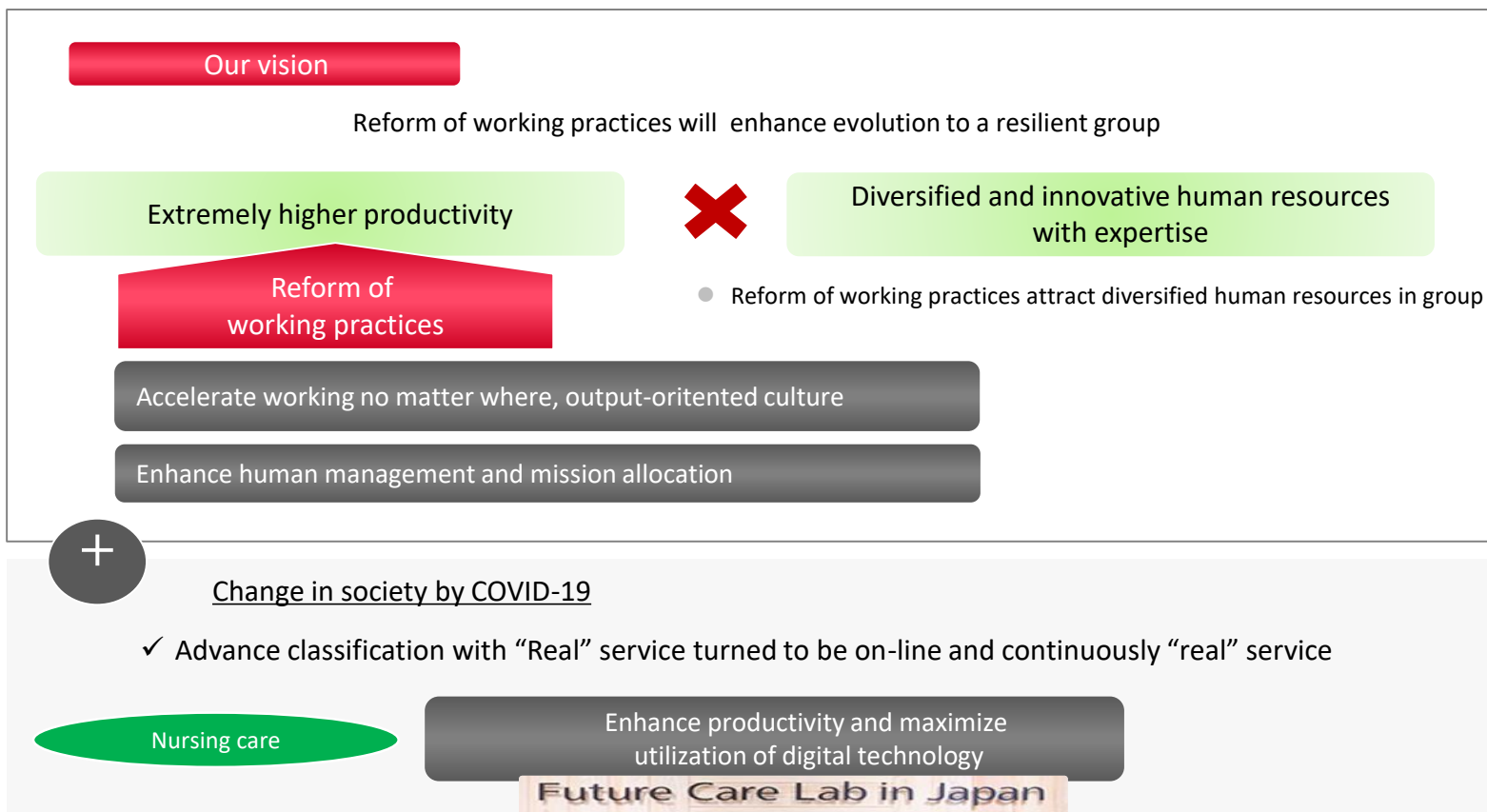
- Aim to provide added valued solutions through analysis with medication, care services and nursing care level in the future

To solve social agendas

Prioritized initiatives in FY2020 (4) Dramatically improve productivity and innovation – reform of working practices

- ◆ Accelerate output oriented culture and enhance human management and mission allocation taking COVID-19 as opportunity.
- ◆ Extremely higher productivity and diversified human resources through reform of working practices supports a group transformation.

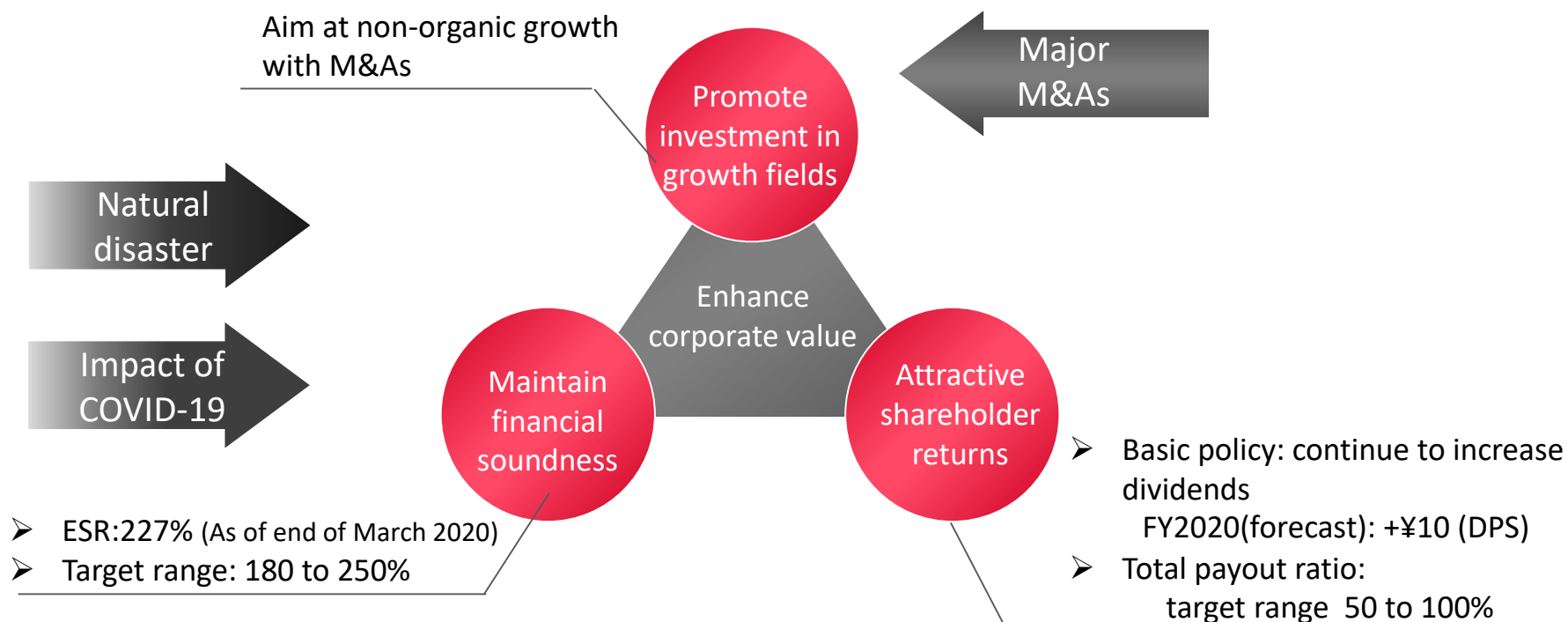
Accelerate reform of working practices taking COVID-19 as opportunity



Capital policy and Shareholder return

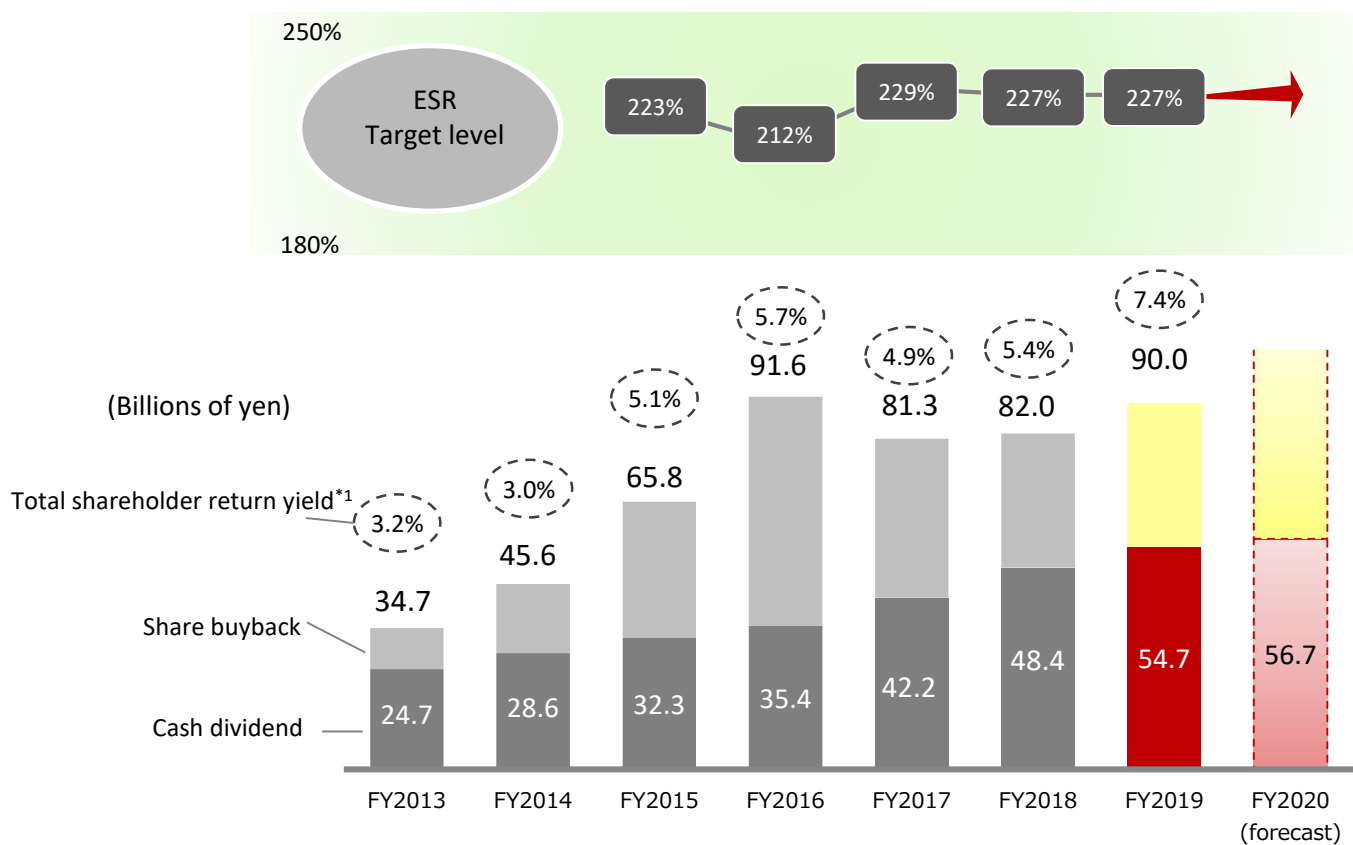
- ◆ Capital policy basically balances investment in growth fields, financial soundness and attractive shareholder returns.
- ◆ Shareholder return policy stays the same. Plan to increase dividend per share for FY2020 for seven consecutive years.
- ◆ We will consider total payout ratio for FY2020 taking factors comprehensively such as mid-term COVID-19 impact, financial soundness and possibility of investment in growth fields.

Concept of capital policy



(Reference) Shareholder return track records

History of solid financial soundness(ESR) and 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.

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

*2 Total payout ratio = (Cash dividend + Share buyback) / Adjusted consolidated profit 14

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020 (forecast)
Total payout ratio*2	220%	50%	50%	50%	50%	72%	60%	-
DPS(yen)	60	70	80	90	110	130	150	160
(Reference) Share price (End of fiscal year)	¥2,652	¥3,735	¥3,188	¥4,079	¥4,282	¥4,098	¥3,343	-

(Reference) Numerical Management Targets, etc.

Numerical management targets

(Billions of yen)	FY2019	FY2020		(Reference) Announced in May 2019
	(Actual)	(Forecasts)	(Change)	
Domestic P&C insurance	60.8	96.5	+35.6	Over 95.0
Overseas insurance	50.1	51.0	+0.8	Over 65.0
Domestic life insurance	32.0	32.5	+0.4	Over 37.0
Nursing care & healthcare, etc.	7.7	7.0	-0.7	Over 8.0
Total (Adjusted consolidated profit)	150.8	187.0	+36.1	205.0 to 215.0
Adjusted consolidated ROE*²	6.4%	8.1%	+1.8pt	Around 8%
ROE (J-GAAP)	7.3%	9.4%	+2.1pt	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.

1. Group management

2. Businesses

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

3. Reference

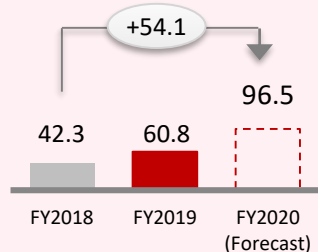
Businesses progress of mid-term management plan

◆ While some impact from COVID-19, Each business expected to continues to grow profitably.

Adjusted profit by segment and typical key factors

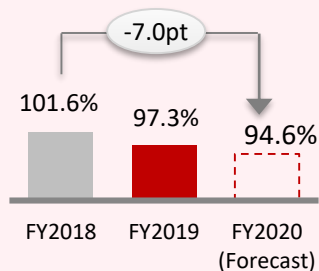
Adjusted profit (Billions of yen)

Expect drastic profit growth while impact of COVID-19 and consumption tax-hike, etc.



Combined ratio(W/P)*1

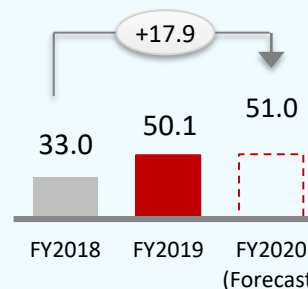
Accelerate proper pricing and streamlining of personnel allocation



*1 excl. CALI, household earthquake

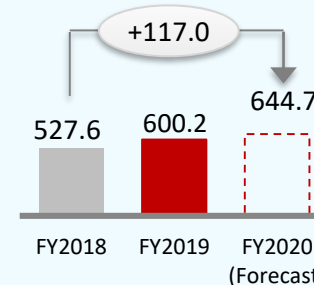
Adjusted profit (Billions of yen)

Expand profit drastically while adequately managing cat risk



Net premium written (Billions of yen)

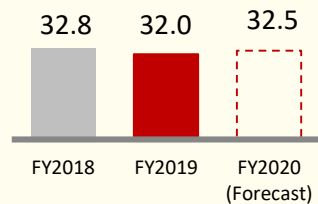
Expand premium written centered in specialty line on global base



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

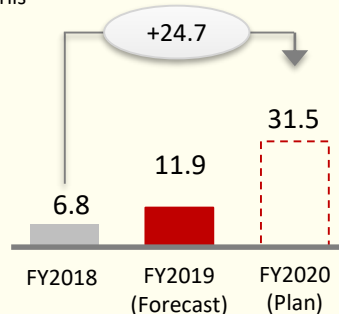
Adjusted profit (Billions of yen)

Through expansion of policies in force, remain stable profit under COVID-19 perils



Annualized premium in force*2 (Billions of yen)

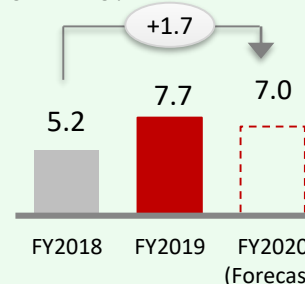
Through promoting insurhealth, plan to expand policies in force



*2 Insurhealth product

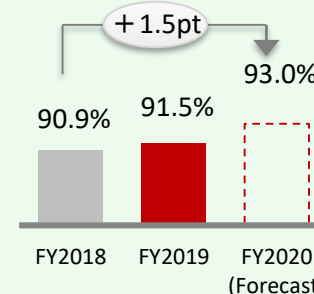
Adjusted profit (Billions of yen)

While impact of additional cost against COVID-19, foundation for generating profit remain solid



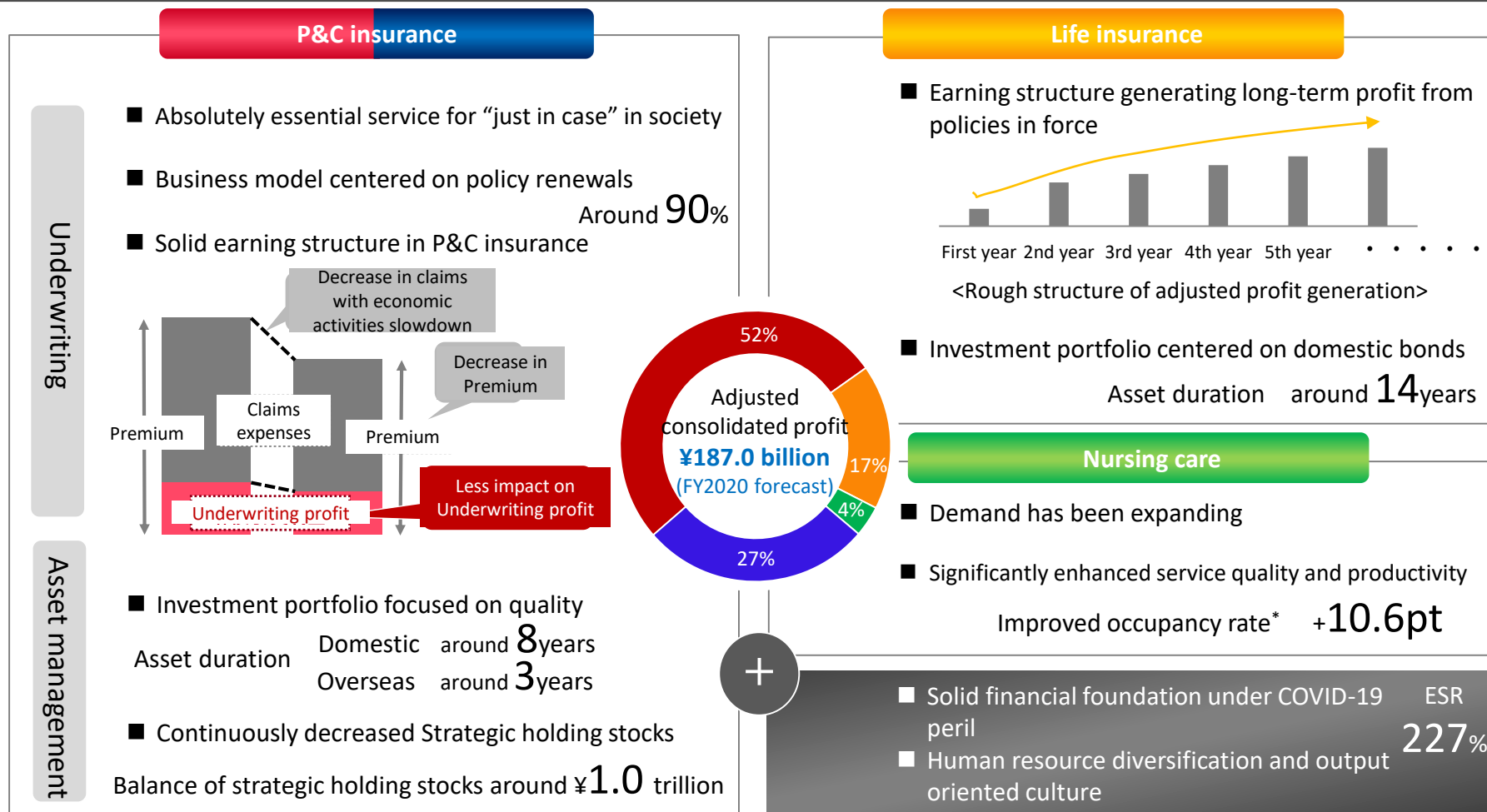
Occupancy rate

Continue to improve despite of impact of COVID-19



(Reference) Solid business foundations under adverse conditions

◆ While we can't predict economic condition clearly yet, our earning structure centered on P&C insurance business remains stable.



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

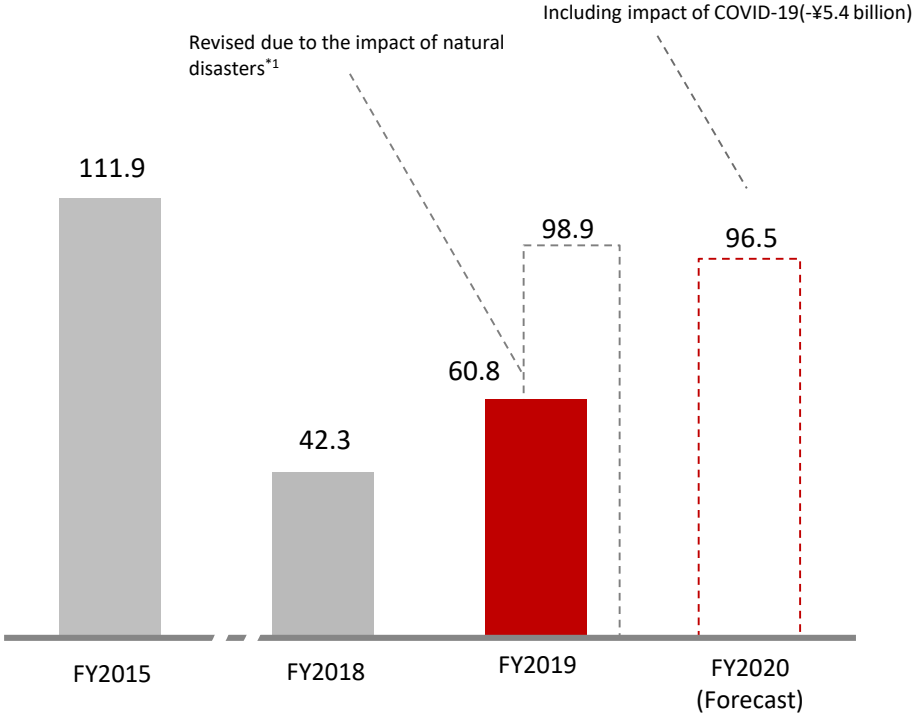
Progress of Domestic P&C Insurance



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

Plan for adjusted profit

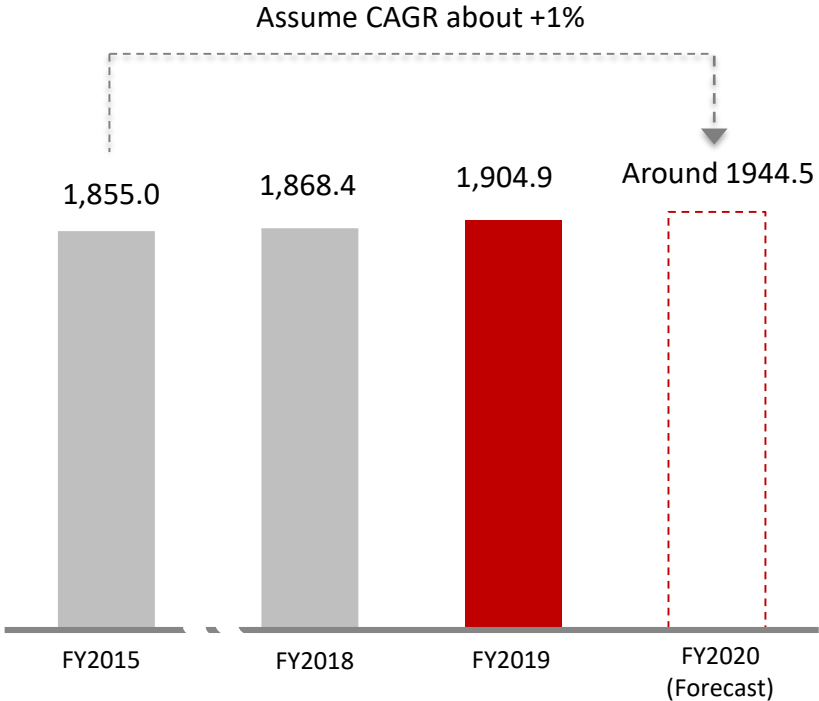
(Billions of yen)



*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)*2

(Billions of yen)



*2 Presented after adjusting reinsurance policies transferred in phases 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. excl. CALI, household earthquake

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

Key Points for Domestic P&C Insurance



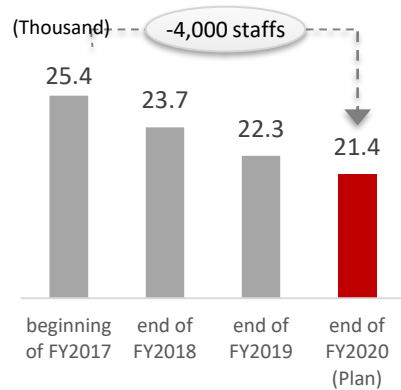
◆ Has enhanced profitability and expedite qualitative evolution while addressing changes in customer needs.

(1) Improvement of productivity in existing business

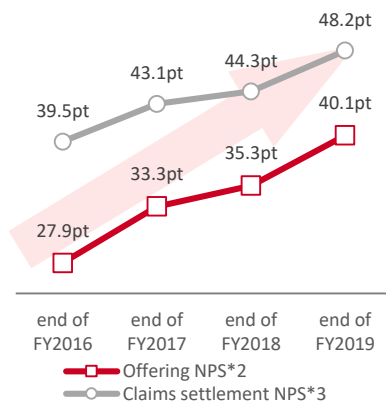
Strengthened measures to improve quality and enhance productivity, with an improving trend in customer satisfaction

- Higher productivity with digital**
 - 240 Cases with RPS and generating 0.9 million hours
 - Utilization of AI into knowledge management and customer contact
- Reform of distribution channels**
 - Develop self-supported agents with high quality
 - Enhance quality with self-completion of agents
- Reform of claims settlement**
 - Utilize digital and enhance human resource at claims and customer contacts
 - Reorganize structure and operating process at widespread disasters

Progress of personnel downsizing*1

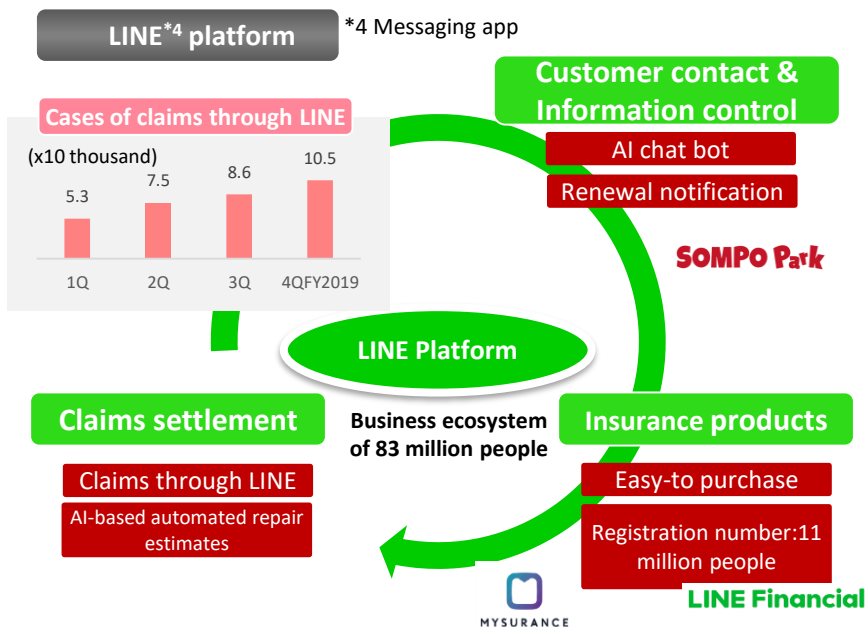


Progress of customer satisfaction



(2) Growth strategy

Organically expand new customer contact and new products and services, in order to continuously expand the customers base



Direct business (Saison Automobile & Fire)



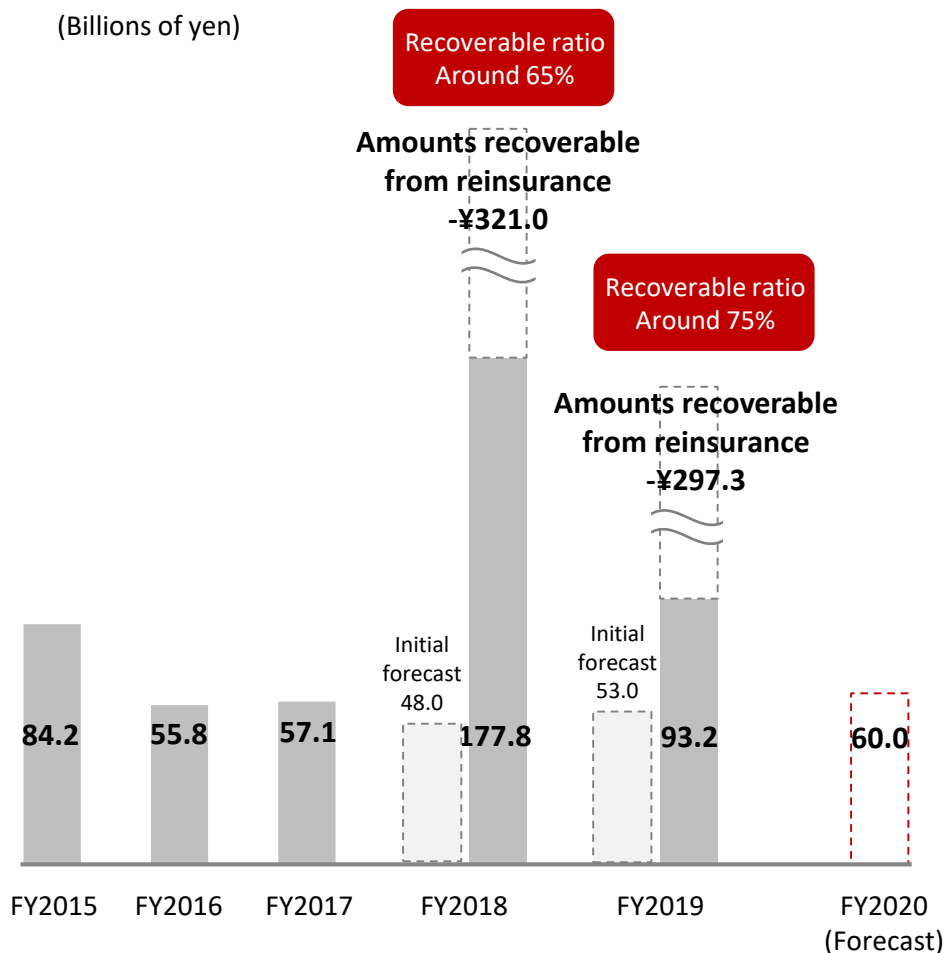
- Mainly due to differentiated product, No.1 growth rate in the industry
- Exceeded 1 million*2 policies, became the industry's third largest direct P&C insurer

*1 Staffs engaging Sompo Japan *2 Net Promoter Score of answer through letters and web about auto insurance contract

*3 Net Promoter Score of answer through letters and web about auto insurance claims

(Reference) Responding to domestic natural disasters risks

Net claims incurred for natural disasters that occurred in the fiscal year and handling domestic natural disasters risks



Key points of our response to domestic natural disasters risks

Proper reinsurance protection

- Cover more serious disaster
- Control earnings volatility



Protection in FY2020

- ✓ Enhanced protection for a series of major natural disasters

Forward-looking perception of risks

- Conservatively factored the impact of climate changes into our model *Increased the assumption of net claims incurred for natural disasters.

Optimize fire insurance rate

- Revision of premiums rate (October 2019)
- Consider further rate optimization in light of revision of advisory rate

(Reference) Public organizations' common opinions on climate changes

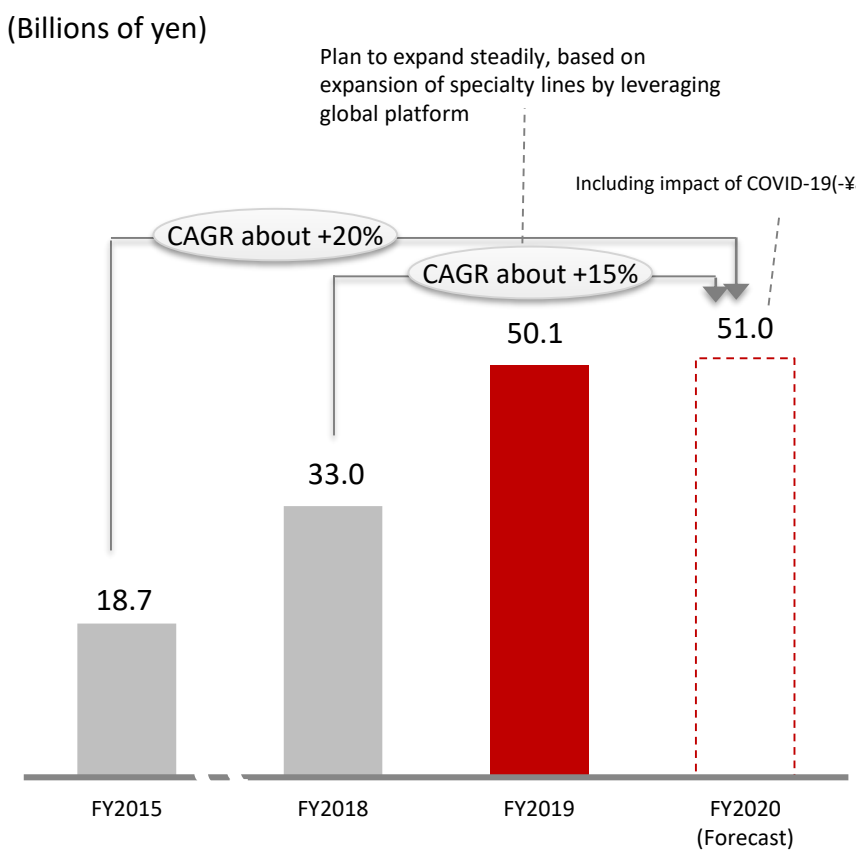
	Hurricanes	Heavy rain
Present	No specific change in frequency and intensity of hurricanes landed	Increase in frequency
Mid and long term	<ul style="list-style-type: none"> • Decrease in frequency • Increase in intensity 	Increase in annual frequency of heavy rain and squalls

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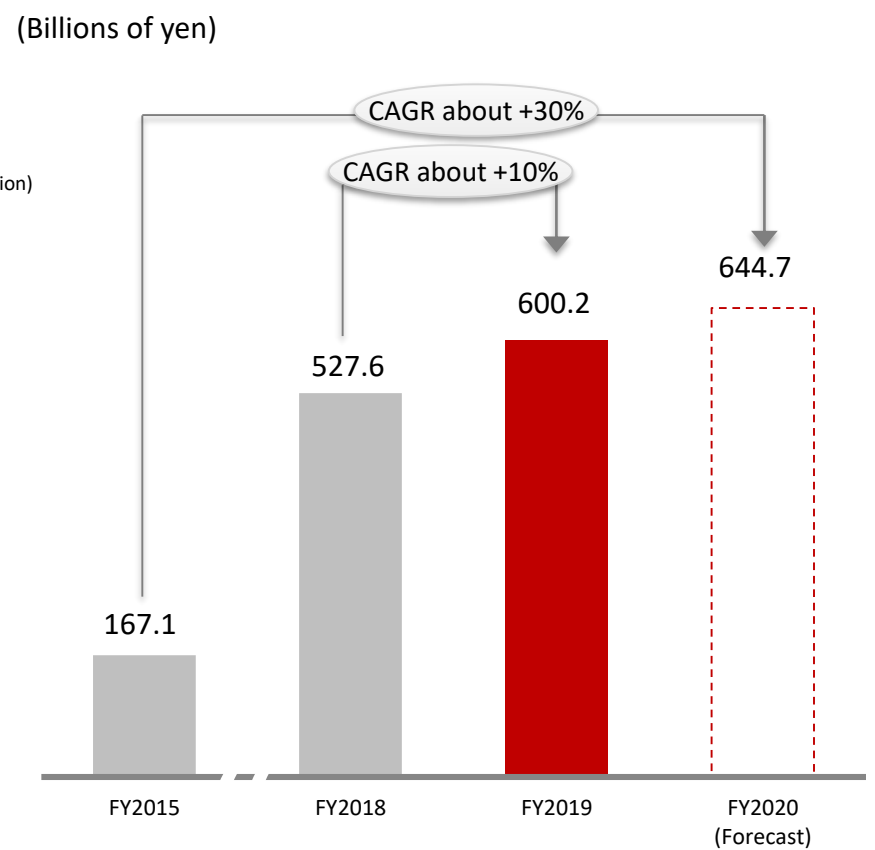
Progress of Overseas Insurance

- ◆ Expand profit based on steady organic growth centering on specialty lines.
- ◆ Aim at further expansion of overseas insurance business weight through both commercial and retail platform.

Plan for adjusted profit



Premiums*



* Portion attributable to Sompo Canopus excluded, due to sales completion. Premiums reflect holding shares. This treatment does not coincide with consolidated financial statements.

Key Points for Overseas Business

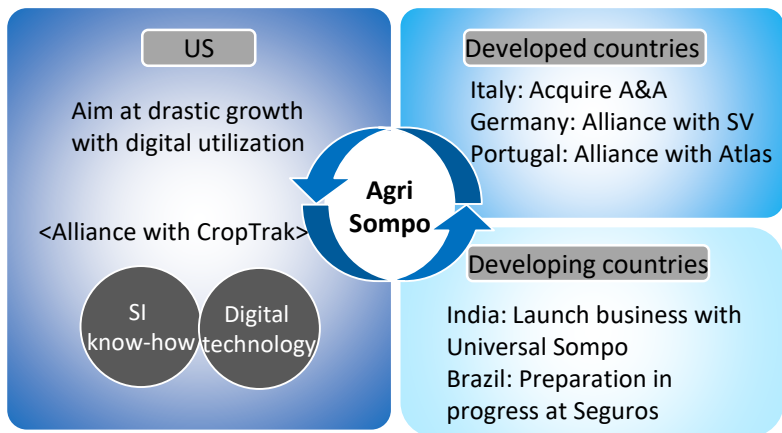
- ◆ Continue to enhance presence of crop insurance business through utilization of global platform and bolt-on M&As.
- ◆ Aim at sustainable and stable growth through accelerating higher profitability in retail lines and selection and concentration of existing business.

(1) Accelerate expansion of crop insurance

Enhance expertise

- Further accelerate AgriSompō's global business
- Aim further geographic diversification and expansion in the U.S. and rest of the world

<Expansion strategy of crop insurance>



(2) Growth strategy through Retail Platform

Accelerate consolidation

- Accelerate consolidation of subsidiaries
- Expect to complete consolidation of main subsidiaries in FY2020

<Expand Retail platform>



Enhance profitability

- Start to share Sigorta know-how such as pricing on auto lines to other subsidiaries

<Sharing Sigorta know-how about auto insurance* globally>

+40% growth

(Earned premiums in FY2019)

92.3%

(Combined ratio of FY2019)
More favorable level than competitors

Enhance group profitability by sharing know-how

* Voluntary auto insurance

(3) Enhance profitability of existing business

Selection and concentration

- Reorganized European business exiting Lloyds distribution channel (writing business directly through London office)

+

Selective bolt-on M&As

Enhance profitability through geographic diversification and expansion

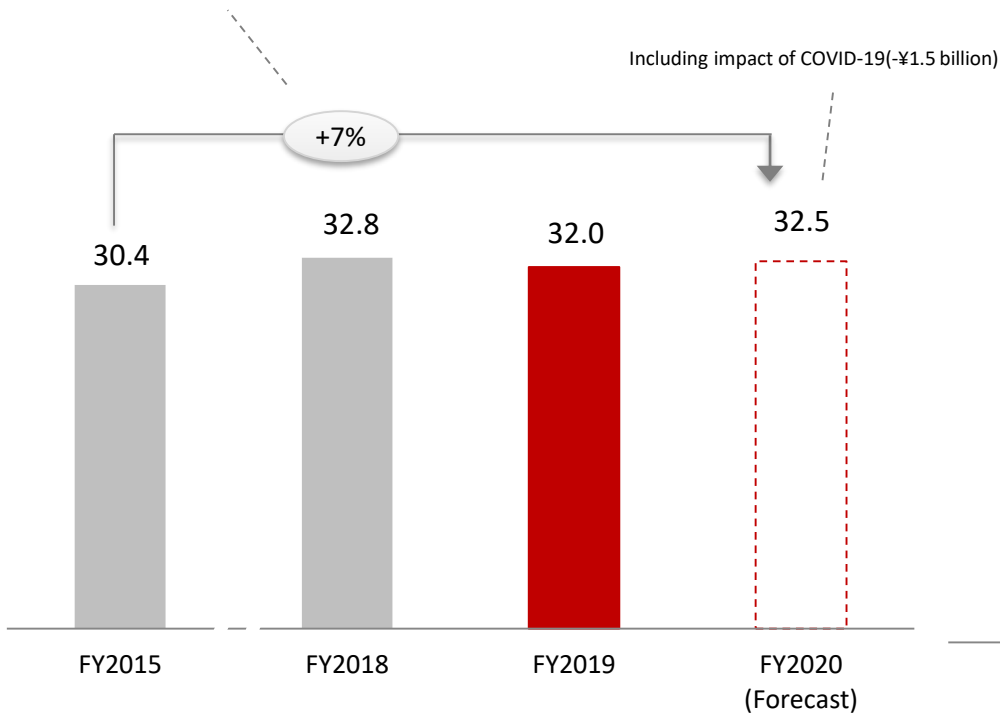
Progress of Domestic Life Insurance

- ◆ Achieve stable profit through expanding policies in force centering on protection-type products.
- ◆ Aim at further growth by accelerating Insurhealth (products and services) with health support function such as launch of new medical insurance.

Plan for adjusted profit

(Billions of yen)

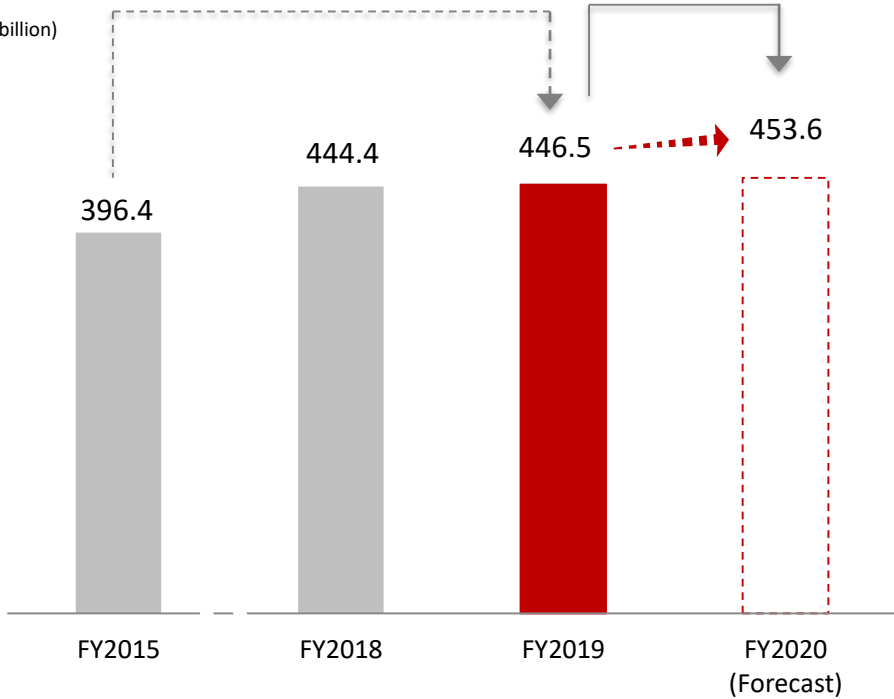
Mainly due to policies in force expanded steadily by providing new products in timely manner centered on medical and income compensation products



Premium and other income

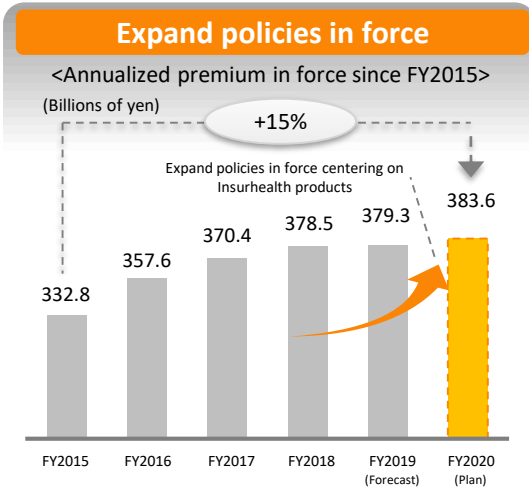
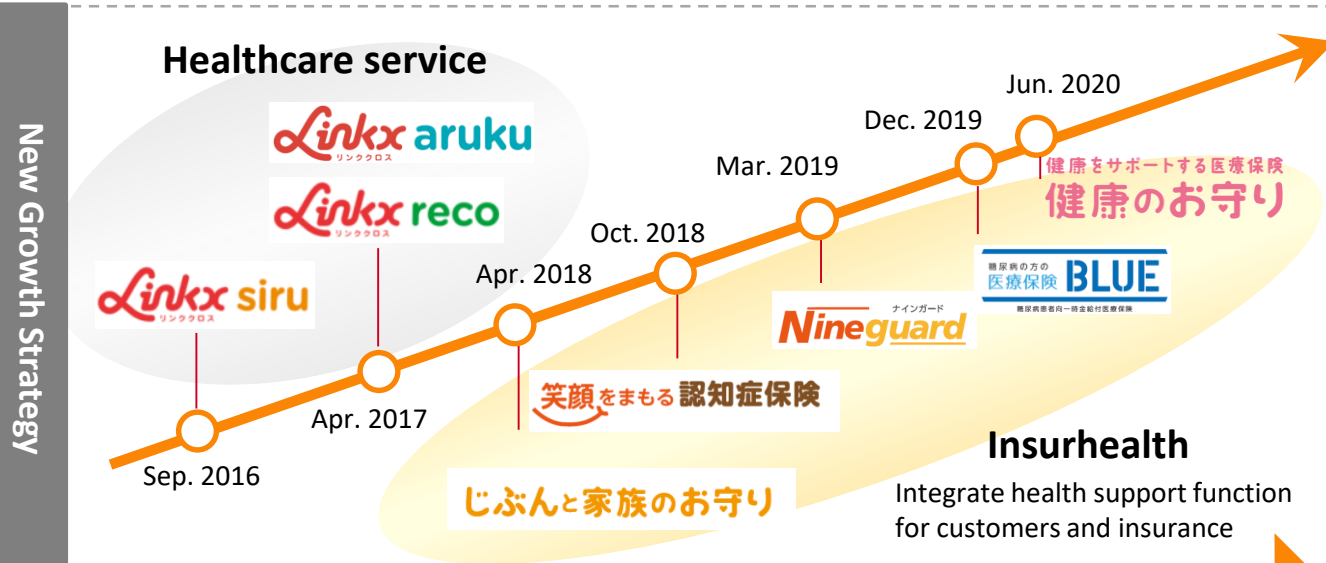
(Billions of yen)

CAGR of over +3%
Expand policies in force further through new medical insurance



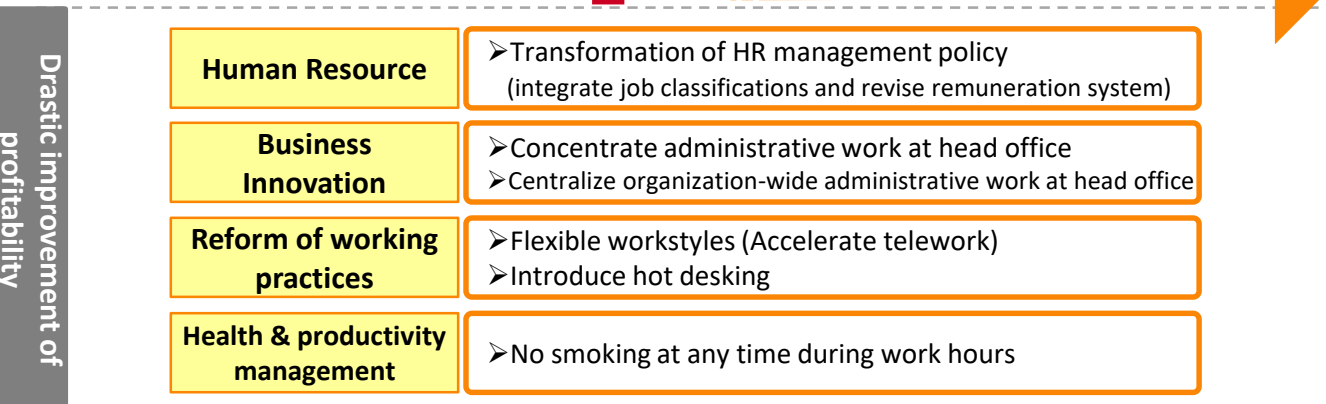
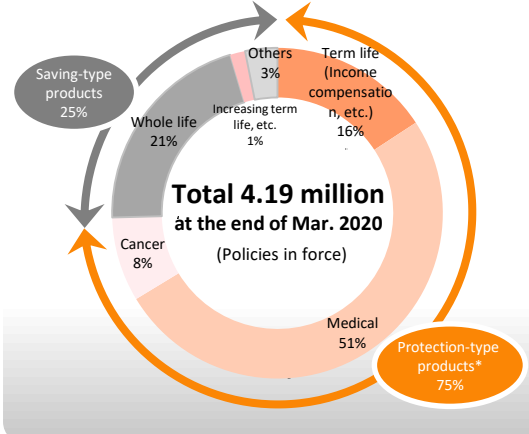
Key Points for Domestic Life Insurance

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



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.

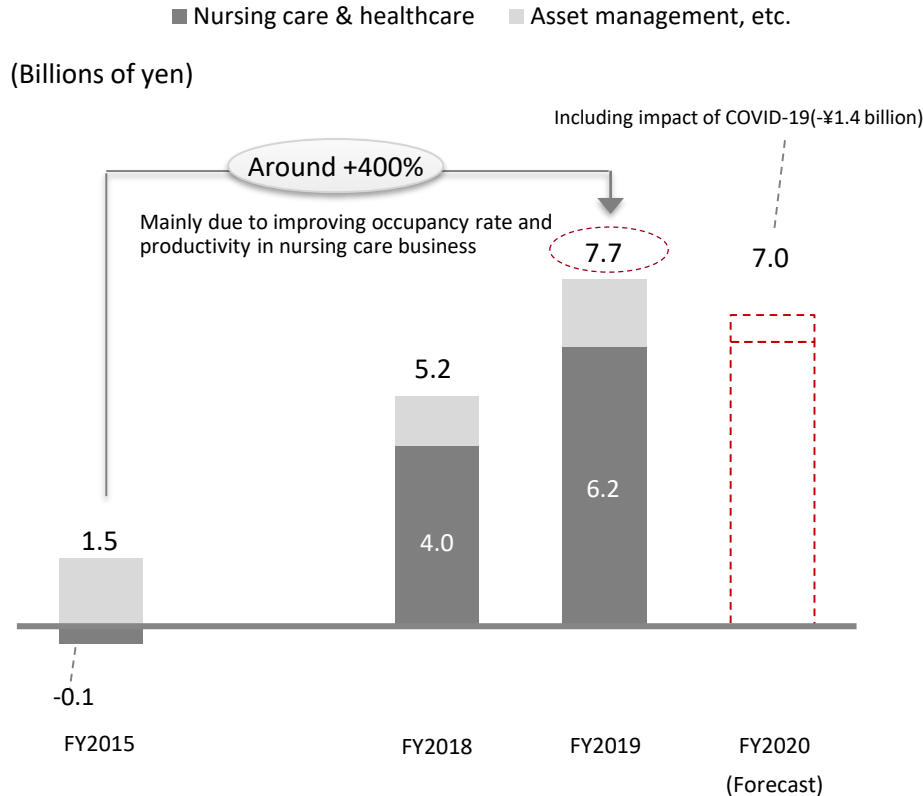


* Mainly medical, cancer, income compensation, and term life insurance (excluding long term life insurance, etc.)

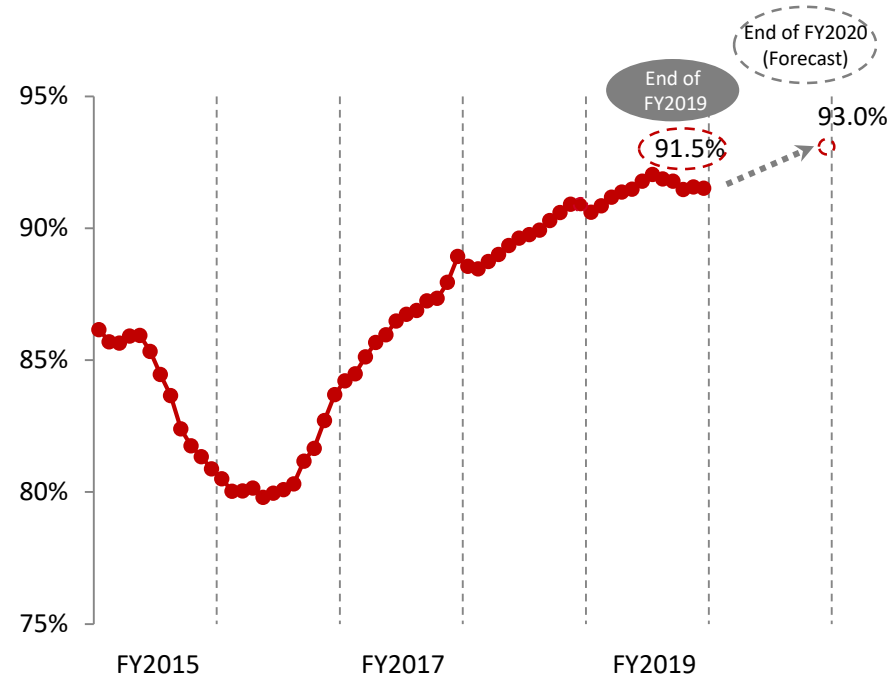
Progress of Nursing Care & Healthcare, etc.

- ◆ Occupancy rate remains stable at favorable level. Move to phase to improve profitability mainly through higher productivity going forward.
- ◆ While impact on profit by additional cost against COVID-19, aim at build stable business foundation through enhancing service quality.

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

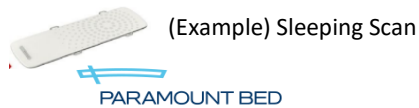
Higher efficiency

- ◆ Utilize digital technology
 - Accelerate to utilize "Future care lab in Japan"
- ◆ Improve operating processes

Secure human resources

- ◆ Enhance remuneration(From Oct. 2019)
 - In the future, aim for a level on par with nursing care professionals

Future Care Lab in Japan



(2) Tackle the challenge of extending healthy life expectancy

Aim to secure new earnings sources by tackling the challenge of extending healthy life expectancy through the expansion of dementia-related services

Services related to dementia

(3) Diversify sources of profits

Aim to diversify earnings sources by considering expansion into new businesses peripheral to nursing care, maximizing expertise and VOC/VOG*

Food business Provide expertise ,etc.

Business process support services

Launched in April 2020
Provide support such as human resources, purchase of goods and IT infrastructure to 3rd party nursing care providers



Develop added valued services through data accumulation and analysis

1. Group management

2. Businesses

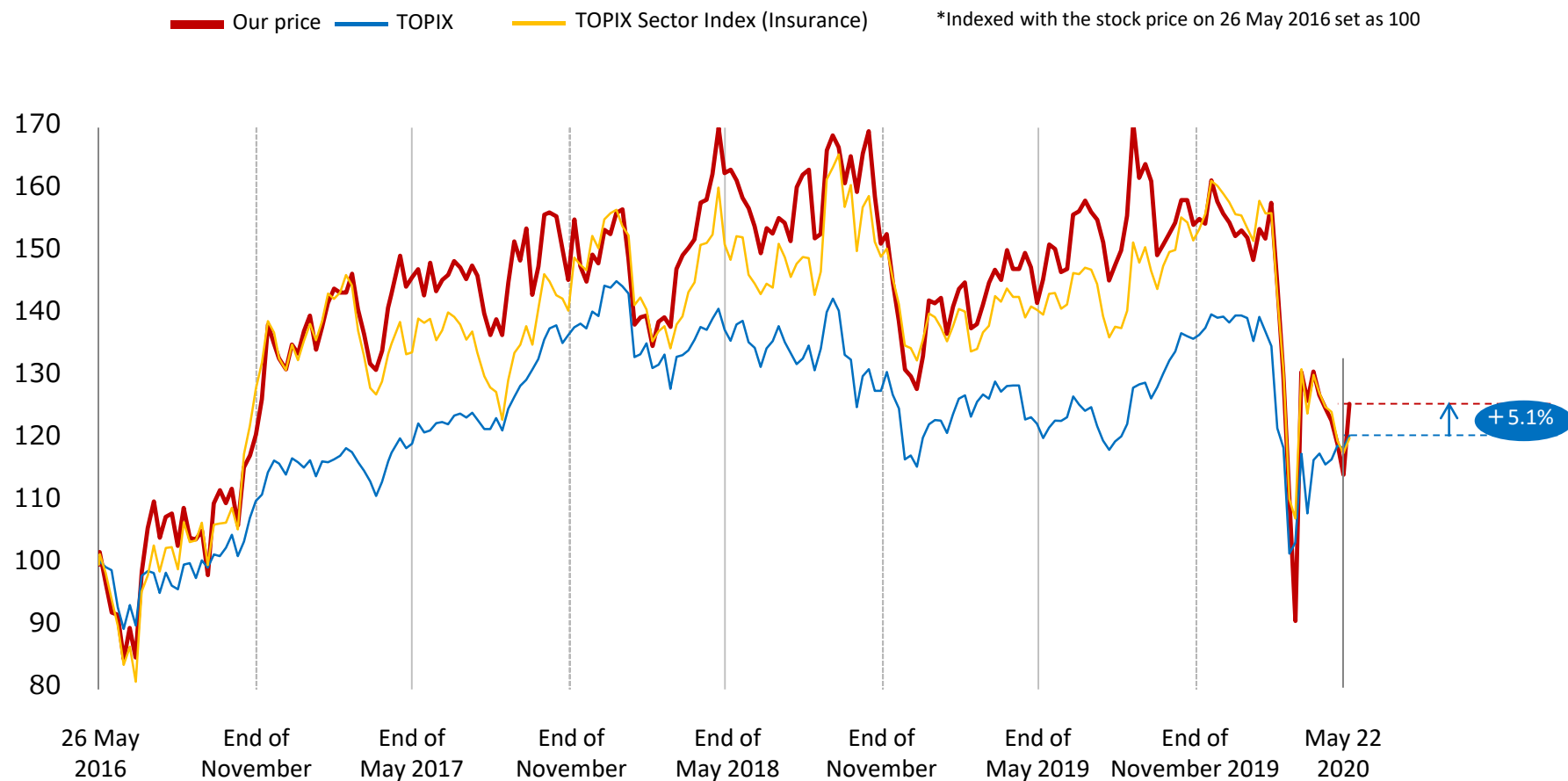
- Domestic P&C insurance
- Overseas insurance
- Domestic life insurance
- Nursing care & healthcare, etc.

3. Reference

Stock Price (Total Shareholder Return)

◆ Since announced mid-term management plan on 26 May 2016, SOMPO's total shareholder return has outperformed TOPIX.

Progress of stock price (from 26 May 2016 to 22 May 2020)

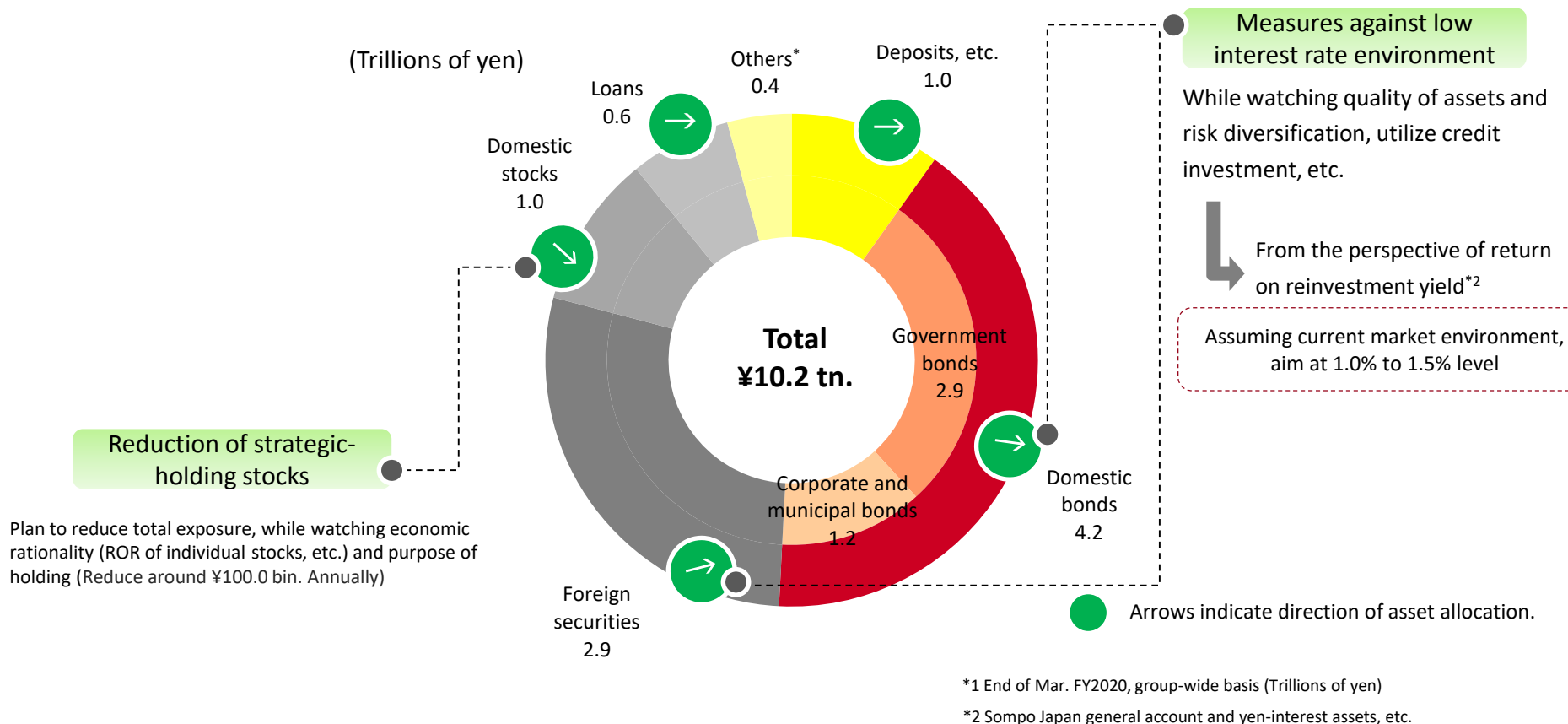


* Stock price above shows total shareholder return (ratio of return after reinvestment of dividends before tax)

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.

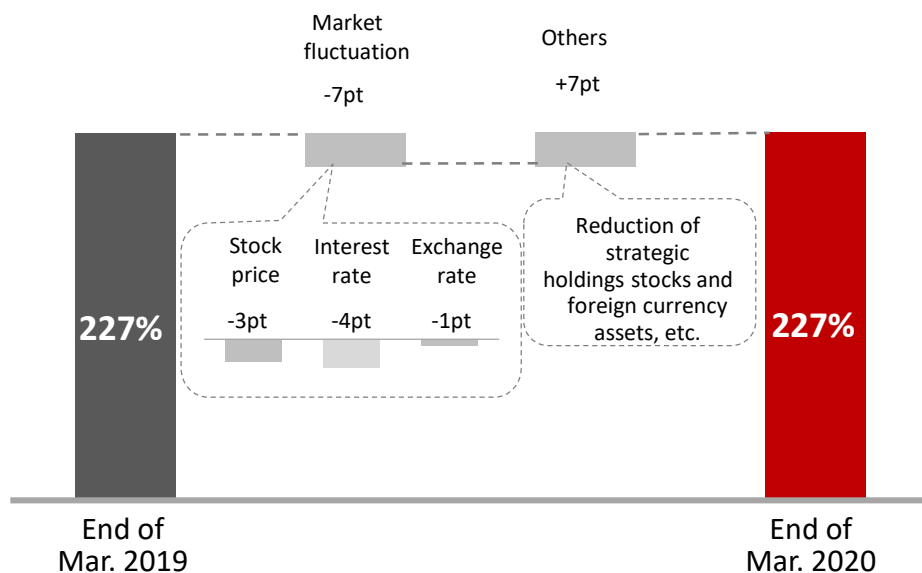
Balance of group investment assets*¹ and asset management policy



Financial Soundness – ESR (99.5%VaR)

◆ ESR (99.5%VaR) as of end of FY2019 was 227%, within target range.

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).

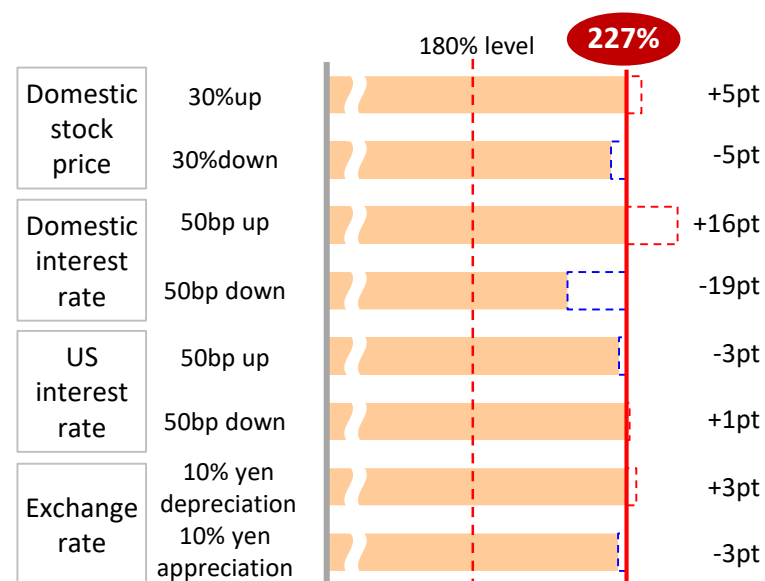
180% level: The level leading to stable financial soundness based on the result of stress test, etc.

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)



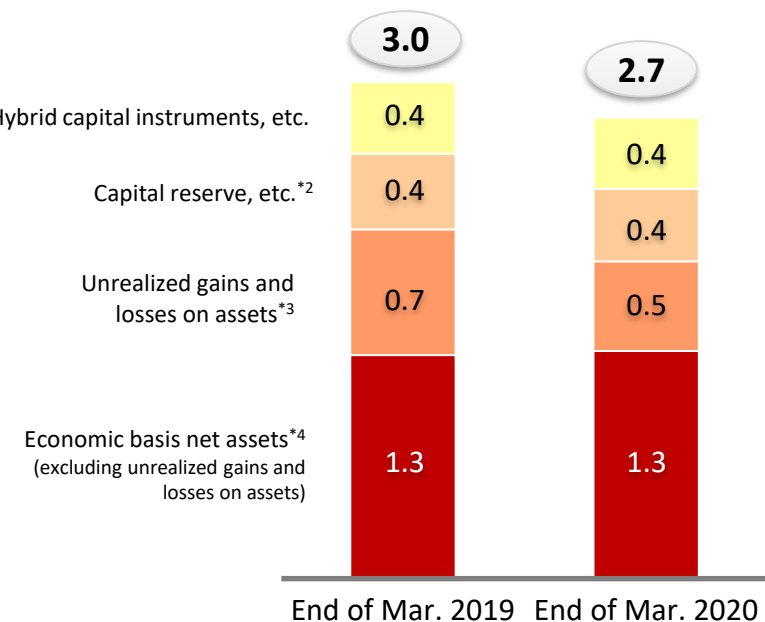
(Reference) Market indicators	End of Mar. 2020	(change*2)
Domestic stock price (Nikkei 225)	¥18,917	(-10.8%)
Domestic interest rate (30y JGB)	0.43%	(-8bp)
US interest rate	0.67%	(-174bp)
Exchange rate (JPY/USD)	¥108.83	(-1.9%)

*2 Against the end of March 2019

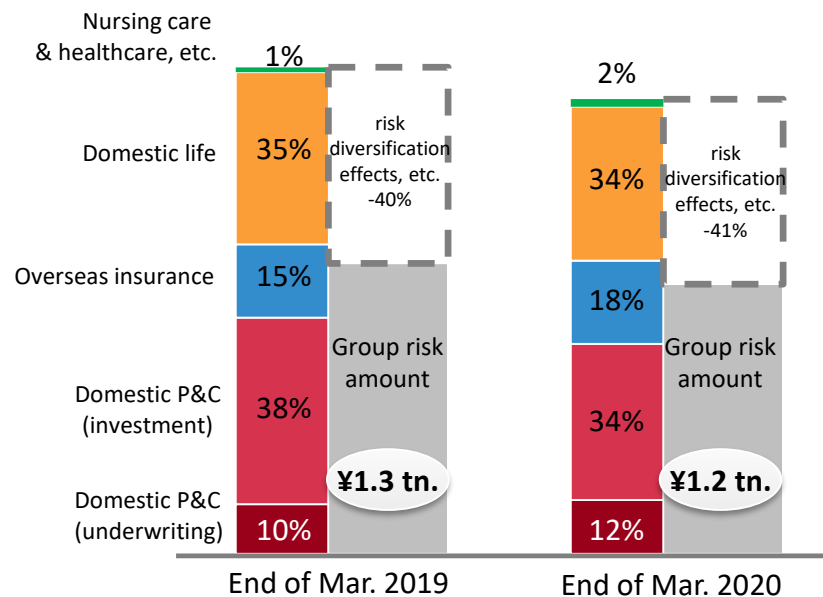
Breakdown of Adjusted Capital and Risk

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.

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