

# Topics & Basics

August 2020  
Sompo Holdings, Inc.



# 1. About SOMPO Holdings

P1

## 2. Mid-term management plan

P6

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(1) Group management

P6

(2) Business strategies for each business segment

P20

(3) ERM, capital policy & asset management

P38

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## Appendix

P46

# Overview of SOMPO Holdings

- ◆ Positioning the Sompo Japan as the core, SOMPO Holdings develops domestic and overseas insurance businesses, etc.
- ◆ Ordinary income amounted to over ¥3.7 trillion and total assets amounted to around ¥12 trillion.

## Group at a glance



### Domestic P&C

- Sompo Japan
- Saison Automobile & Fire
- Sompo Japan Partners
- DC Securities
- Risk Management, etc.

### Overseas insurance

- Sompo International (SI)
- Sompo Seguros (Brazil)
- Sompo Sigorta (Turkey)
- Berjaya Sompo (Malaysia)
- Sompo Singapore, etc.

### Domestic life

- SOMPO Himawari Life

### Nursing care & healthcare business, etc.

- SOMPO Care
- Asset management business, etc.

## Selected financial data (Consolidated)

(¥ bn.)	FY2018	FY2019	FY2020 (Forecasts)
Consolidated Ordinary Income	3,643.0	3,760.3	-
Consolidated Ordinary Profit (Loss)	198.9	192.4	223.0
Consolidated Net Income (Loss)	146.6	122.5	150.0
Total Assets	12,018.2	11,977.8	-
Total Net Assets	1,779.9	1,612.5	-
Market Capitalization	1,528.4	1,217.2	-

## Credit Ratings (As of August 2020)

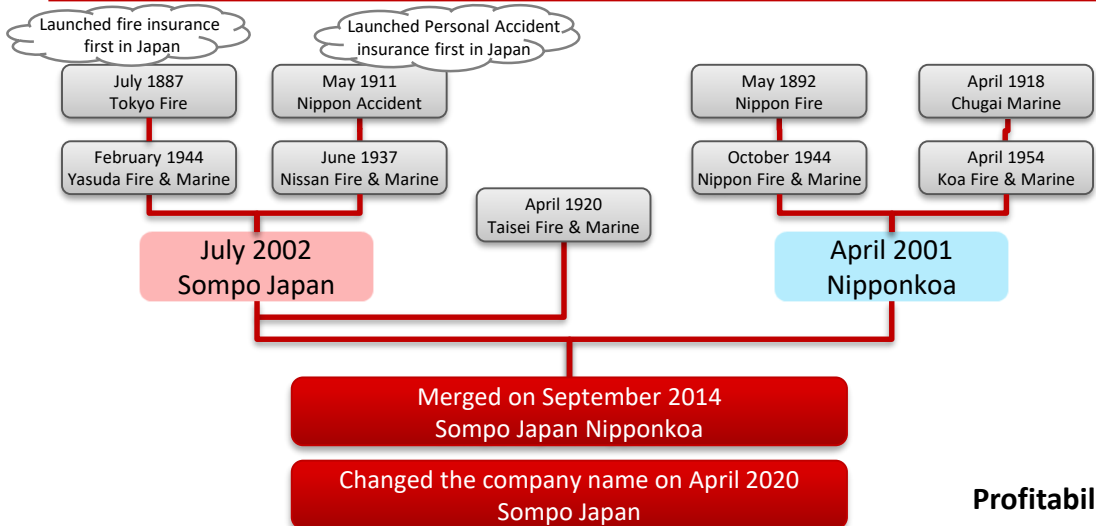
	Sompo Japan	SI*	Himawari Life
S&P	A+ (Stable)	A+ (Stable)	A+ (Stable)
Moody's	A1 (Stable)	-	-
A.M. Best	A+ (Stable)	A+ (Stable)	-
R&I	AA (Stable)	-	AA (Stable)
JCR	AA+ (Stable)	-	-

\* Sompo International Holdings Ltd. main subsidiaries

# Overview of Sompo Japan

◆ We have a history of over 130 years, and net premiums written amount to around ¥2.1 trillion.

## History of domestic P&C insurance



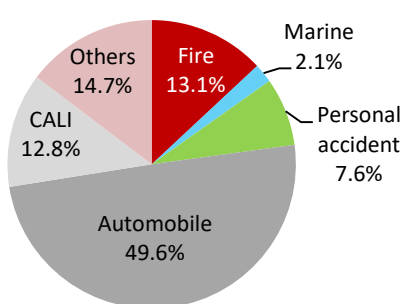
## Selected financial data

(¥ bn.)	FY2018	FY2019	FY2020 (Forecasts)
Net Premiums	2,148.6	2,184.7	2,173.5
Ordinary Profit (Loss)	215.5	182.3	210.0
Net Income (Loss)	175.7	130.5	156.0
Total Assets	7,515.8	7,166.0	-
Total Net Assets	1,469.3	1,301.9	-
Combined Ratio (W/P)*1	101.6%	97.3%	94.6%

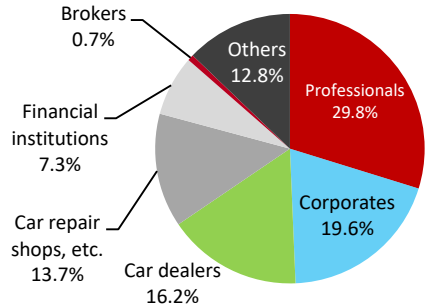
\*1 excl. CALI, household earthquake.  
 Sum of W/P loss ratio and net expense ratio.  
 W/P loss ratio means written-paid loss ratio;  
 numerator is net claims paid, and denominator is net premiums written(The same shall apply hereafter.)

## Premiums in FY2019

### By products (Net premiums)

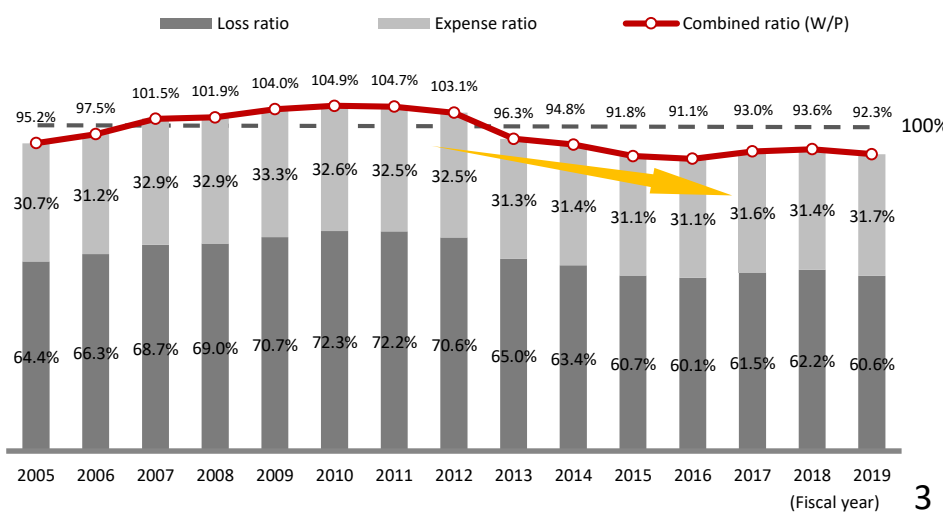


### By distribution channel\*2 (Gross premiums)



\*2 Gross premium on a performance evaluation basis, excluding saving-type insurance. "Professionals", "Corporates", "Car dealers", "Car repair shops, etc.", "Financial institutions" and "Others" are all agents.

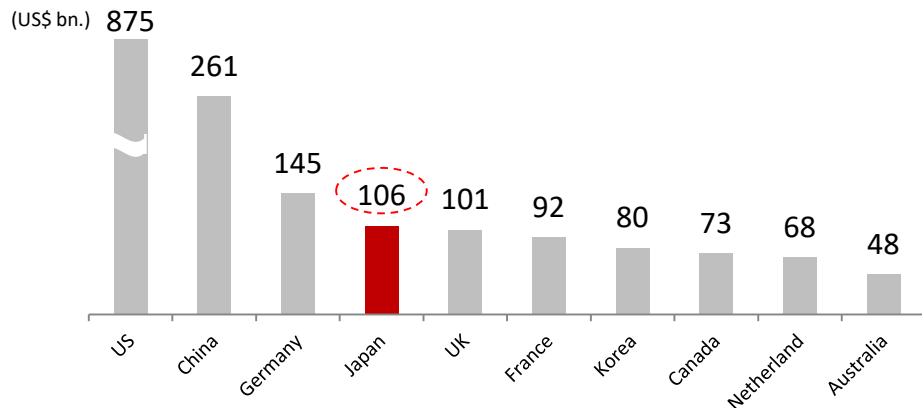
## Profitability in Automobile insurance



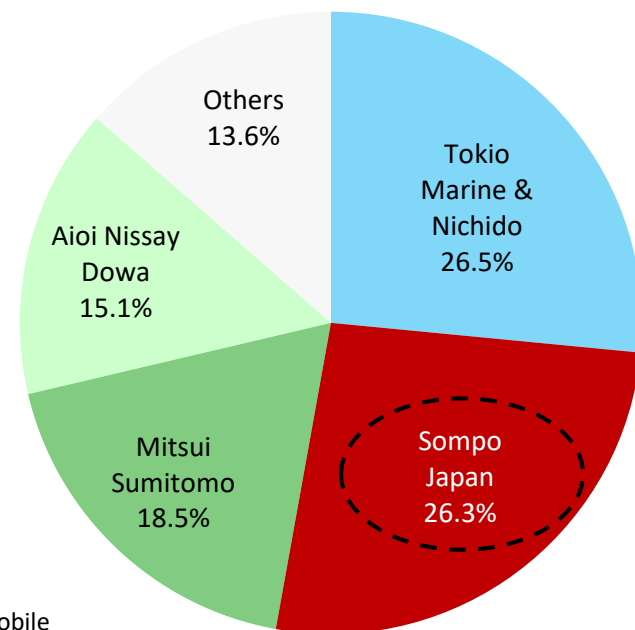
# Overview of the Japanese P&C Insurance Market and Our Position

- ◆ The market Premiums have been growing mainly in automobile insurance.
- ◆ The total market share of the top 4 companies is approximately 90% and the profit is stable.

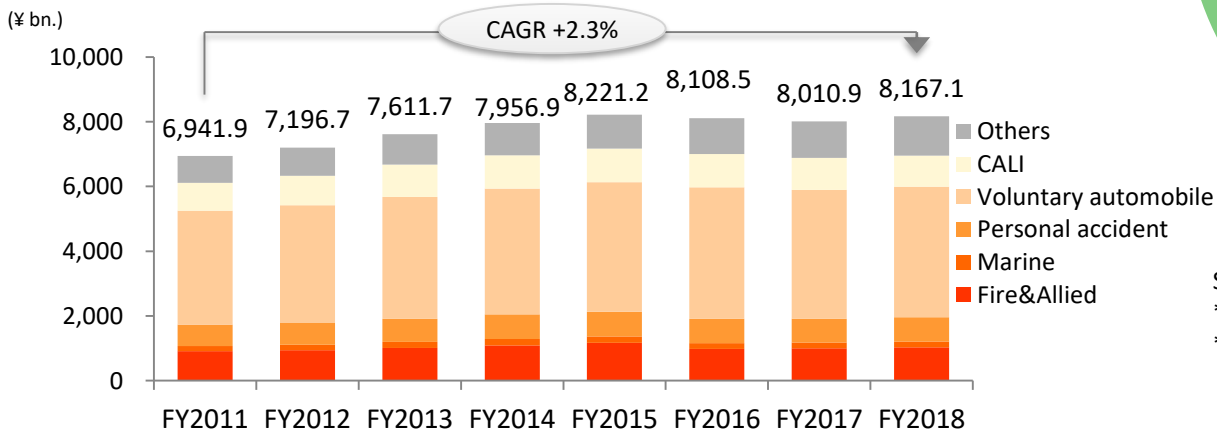
Size of P&C insurance market by country\*1 (FY2018)



Market share in the Japanese P&C insurance market\*2 (FY2018)



Historical premiums in the Japanese P&C insurance market\*2



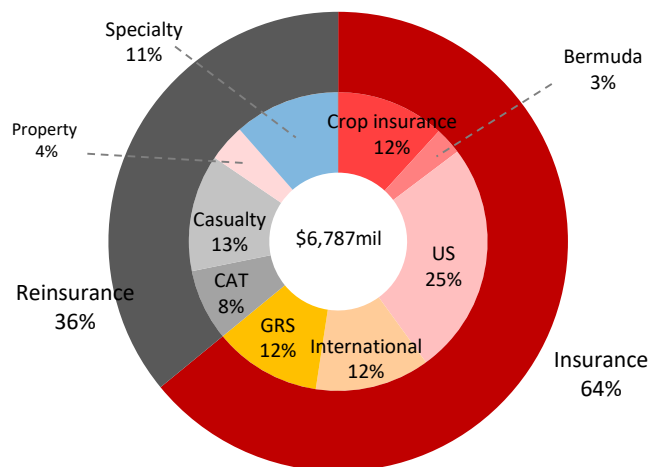
Source: Swiss Re "Sigma Report", Hoken Kenkyujo "Insurance".  
 \*1 Gross premiums, including reinsurance premiums  
 \*2 Based on net premiums of P&C insurers in Japan excluding reinsurance companies

# Overview of SI and Himawari Life

## Selected financial data of SI\*1

(\$mil)	FY2018	FY2019	FY2020 (Forecasts)
Gross premiums written	5,960	6,787	7,111
Net premiums written	3,319	3,921	4,363
Adjusted profit	177	320	377
Total assets	19,460	23,797	-
Total net assets	5,627	6,662	-
Combined ratio	99.4%	96.2%	93.0%

Gross premiums written by product line (FY2019)

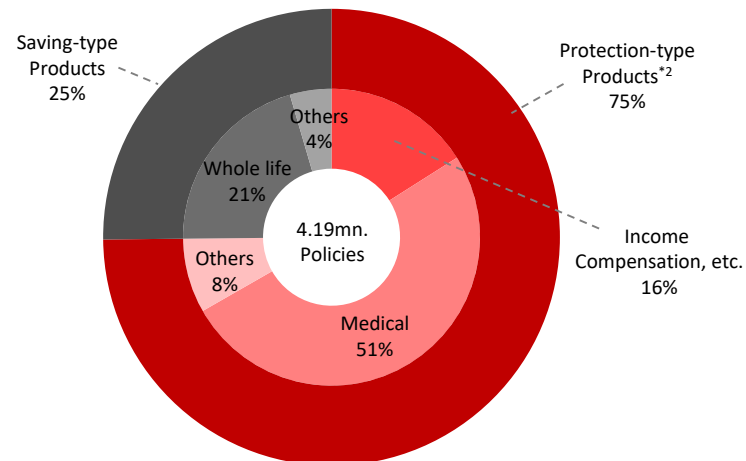


\*1 Incl. former Sompo America, Sompo Mexico and SJNK Europe.

## Selected financial data of Himawari Life

(¥ bn.)	FY2018	FY2019	FY2020 (Forecasts)
Annualized new premium	37.0	25.0	31.0
Premium and other income	444.4	446.5	453.6
Ordinary profit	26.5	28.4	27.5
Net income	15.3	16.5	17.0
Total assets	3,006.0	3,217.7	-
Total net assets	157.8	147.6	-

Product mix (policies in force, as of end of Jun. 2020)



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

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1. About SOMPO Holdings P1

2. Mid-term management plan P6

(1) Group management P6

(2) Business strategies for each business segment P20

(3) ERM, capital policy & asset management P38

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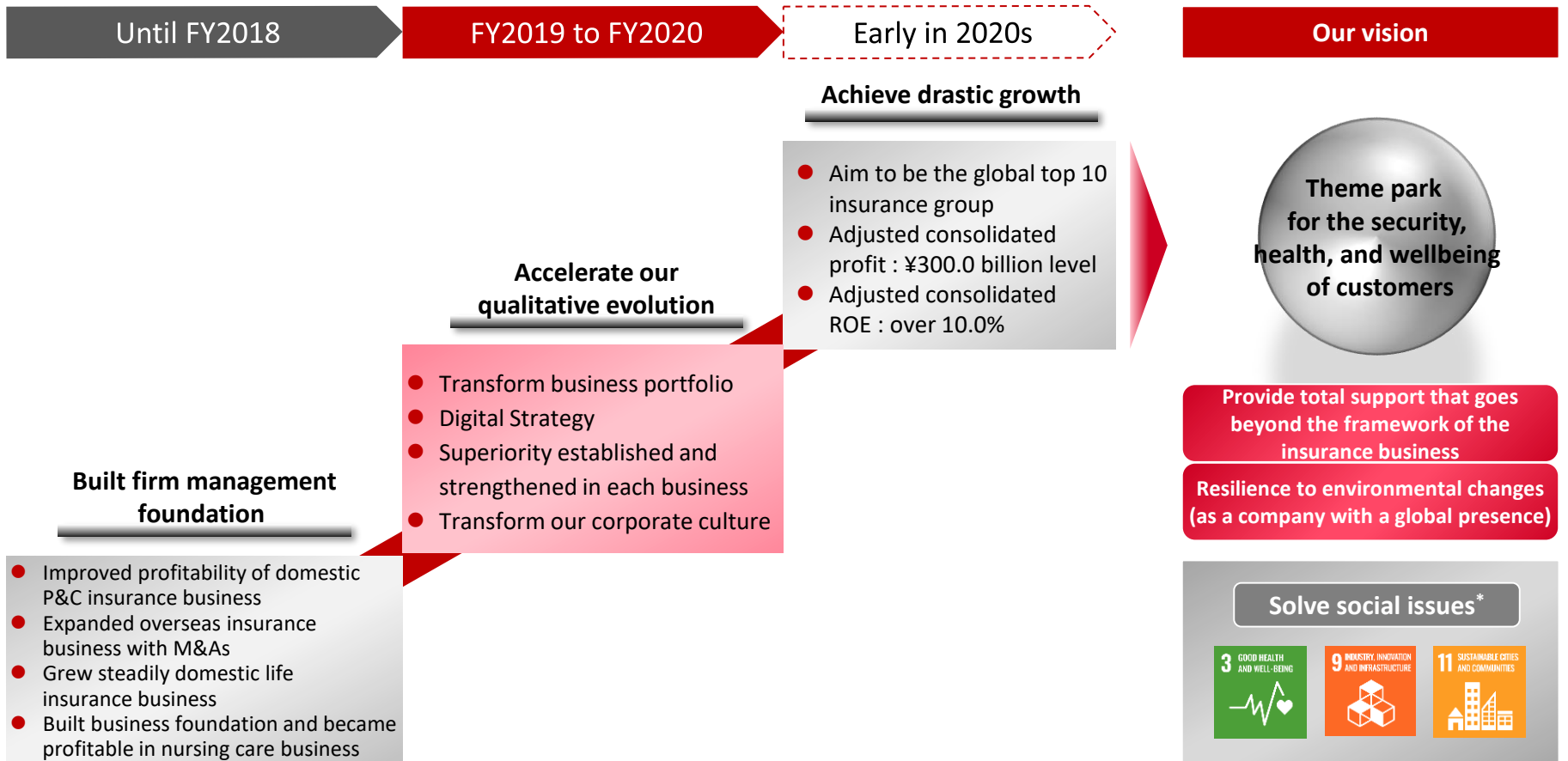
Appendix P46

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# 2nd Half of Mid-term Management Plan

- ◆ Current mid-term management plan period is from FY2016 to FY2020.
- ◆ 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.



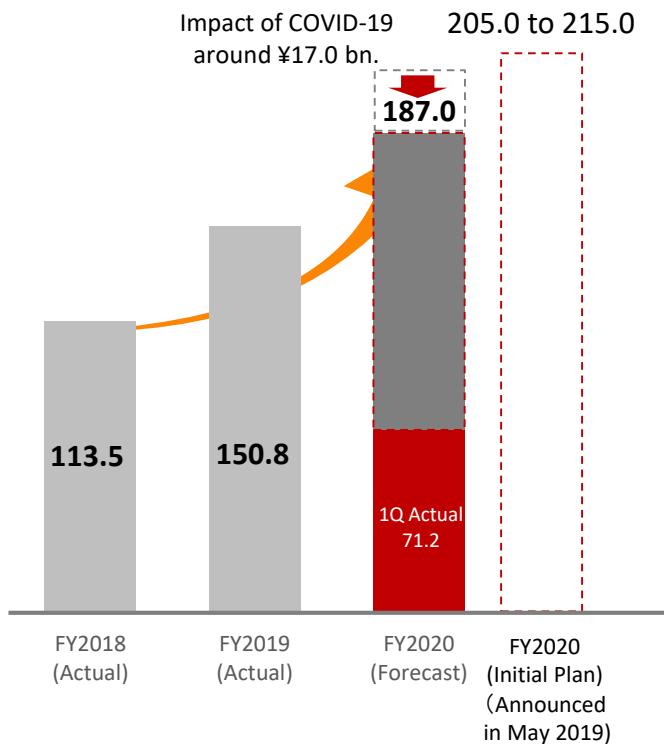
\* Identify and mark the main United Nations' Sustainable Development Goals (SDGs) that correspond to SOMPO's initiatives

# Progress of mid-term management plan

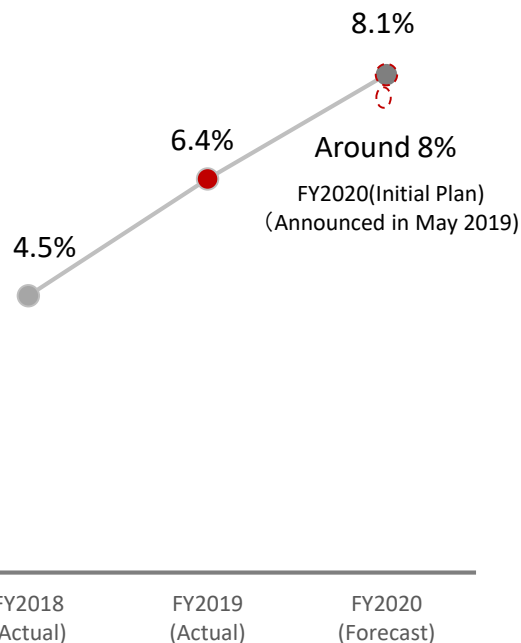
- ◆ Adjusted consolidated profit for FY2020 is expected to increase by ¥36.1 billion yen against FY2019, while nearly achieving initial FY2020 plan.
- ◆ While we can't clearly predict the impact of COVID-19 yet, the mid-term plan has progressed steadily so far.
- ◆ With profit expansion, plan to increase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

## Adjusted consolidated profit

(Billions of yen)

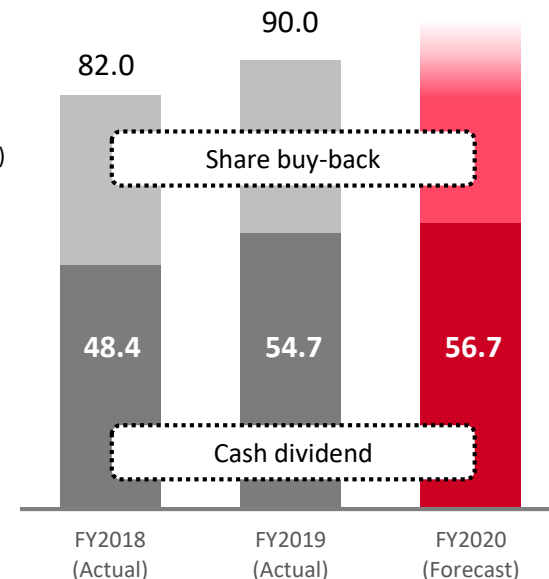


## Adjusted consolidated ROE



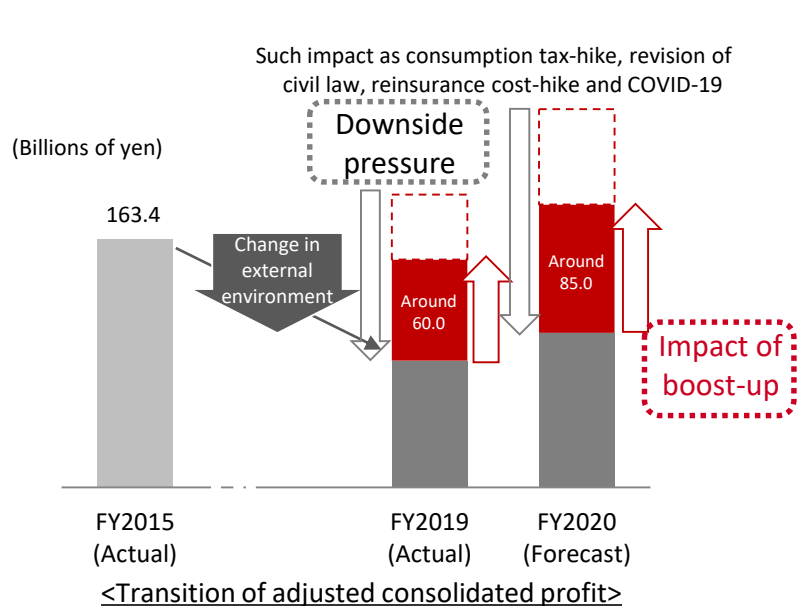
## Amount of total return

(Billions of yen)



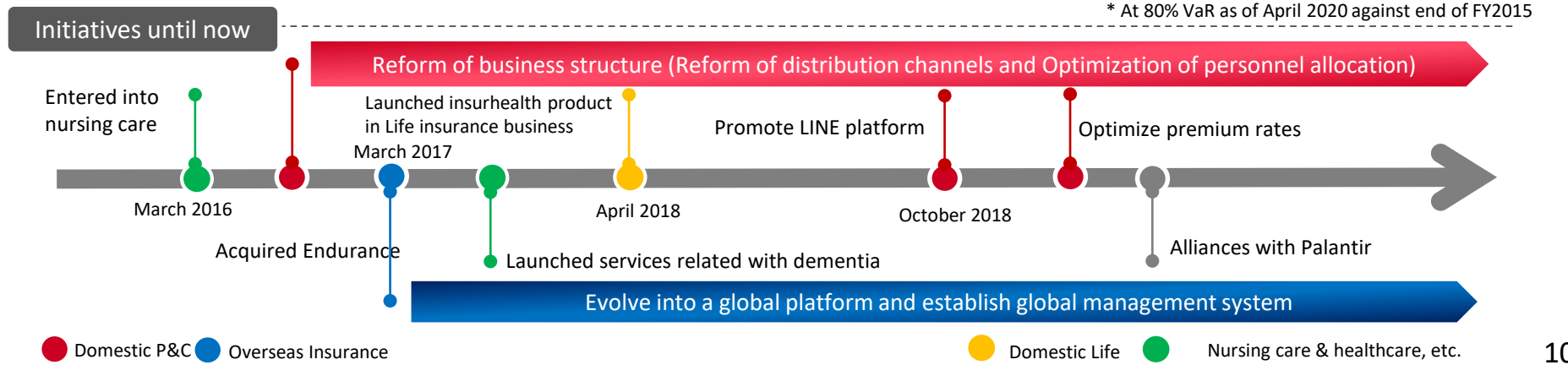
# (Reference) History of strengthening group resilience

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



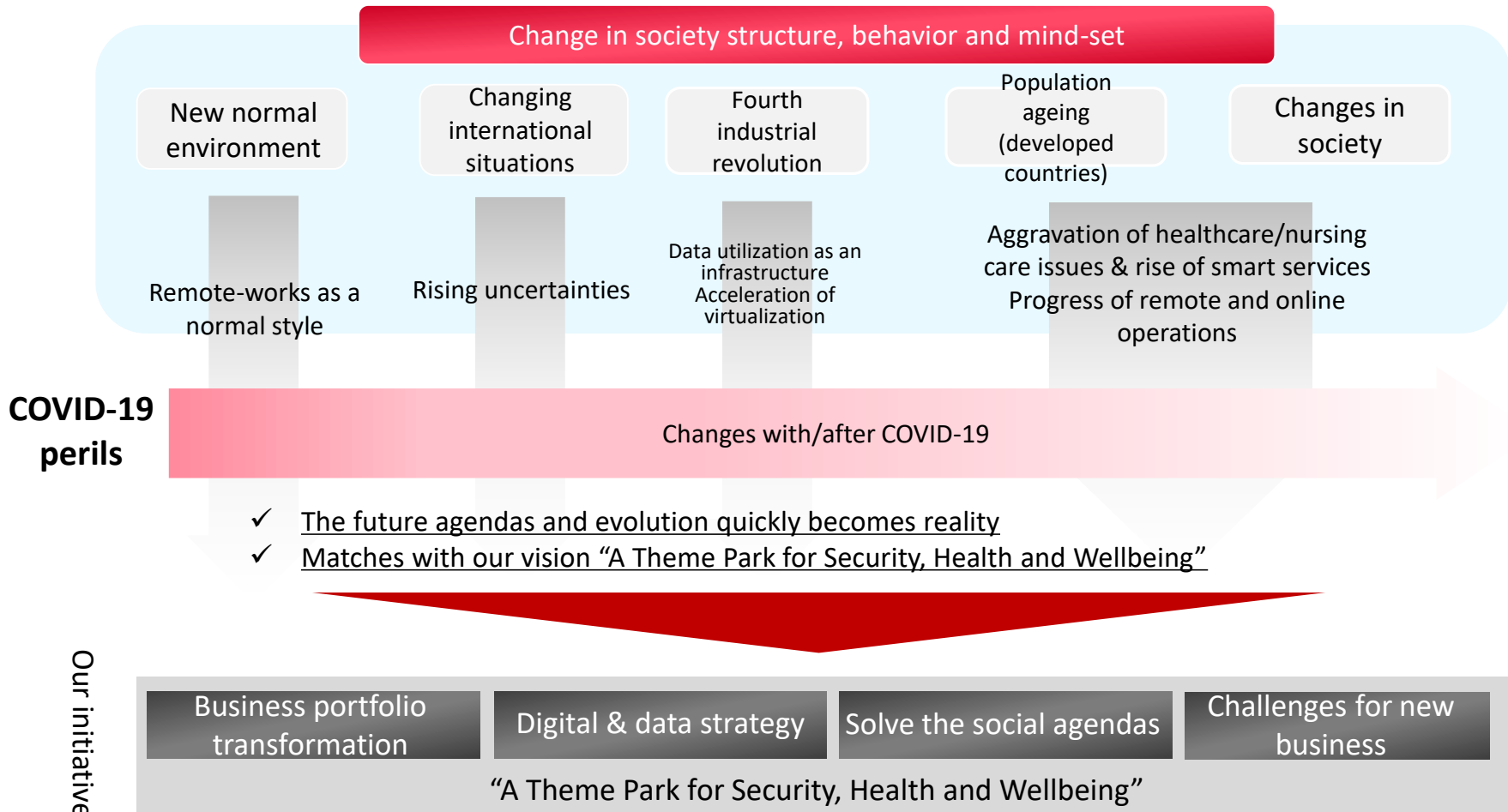
Enhancement of resilience

- Improve profitability of existing business Positive impact on adjusted consolidated profit FY2019 (Against FY2015) Around +¥20.0 billion
- Geographical diversification (Overseas M&As) Around +¥35.0 billion
- Diversified profit sources Around +¥6.0 billion
- Decrease risk amount of wind and flood perils Around -15%\*
- Promote digital strategy and evolve corporate culture



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

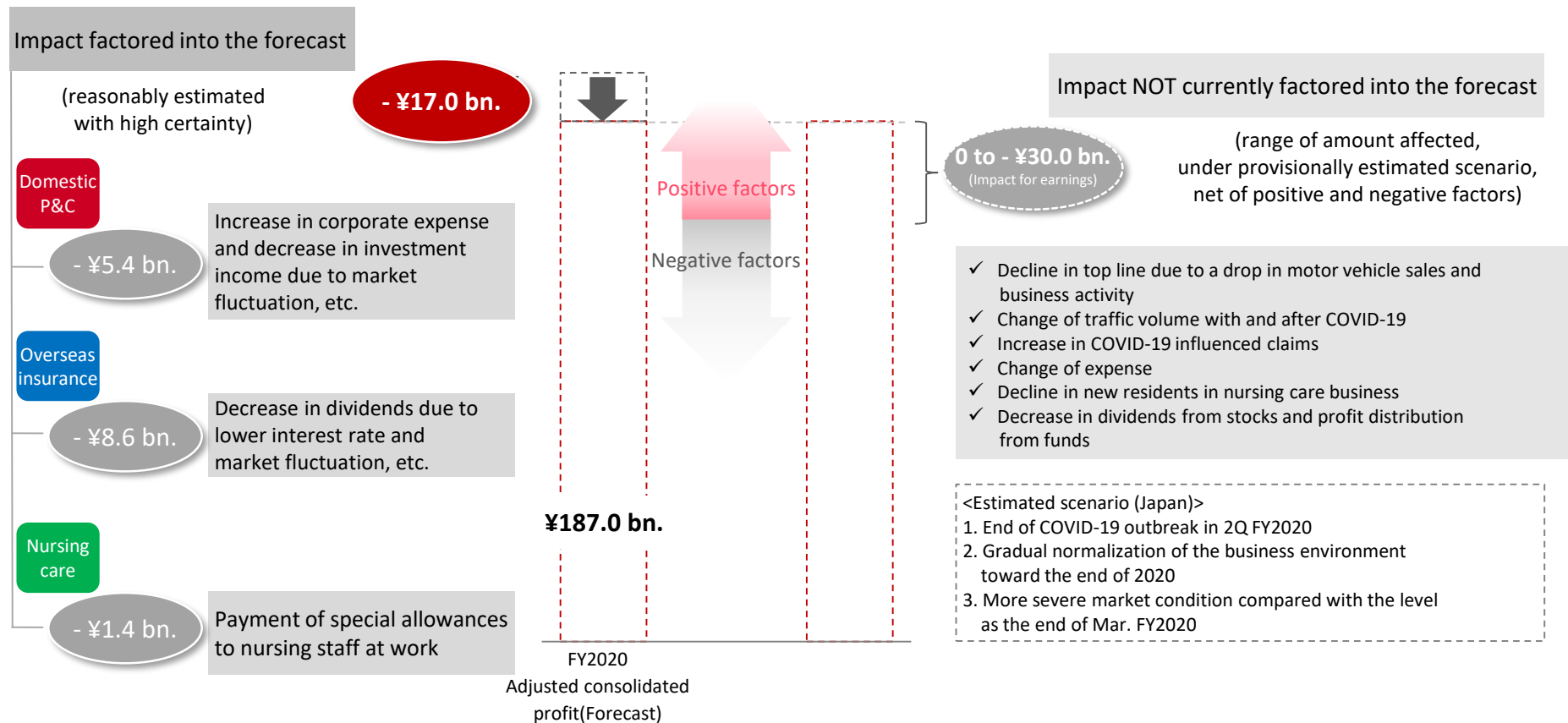
- ◆ To survive VUCA era, executed our initiatives toward group transformation.
- ◆ COVID-19 will change drastically society structure, behavior and mind-set going forward. The future agendas and evolutions became reality.



# (Reference) Impact of COVID-19

- ◆ Negative impact of COVID-19 on adjusted consolidated profit in 1Q FY2020 was around -¥7.0 billion, which is in line with the full year forecast (-¥17.0 billion).

## Impact for the forecast for FY2020



# 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 evolve to a group with output oriented culture as well as higher value services.

Impact of boost-up on Adjusted profit\*<sup>1</sup>  
 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)\*<sup>2</sup>

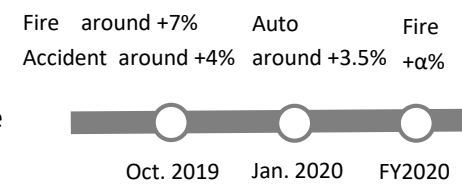
Around +7.0 billion  
 Around +2.0 billion

### 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\*<sup>3</sup>  
 Around 85%

Downsizing of headcounts toward end of FY2020(Plan)  
**-4,000 staff**  
 Currently reduced around 3,000 staff\*<sup>4</sup>, 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 1<sup>st</sup> of April 2017)

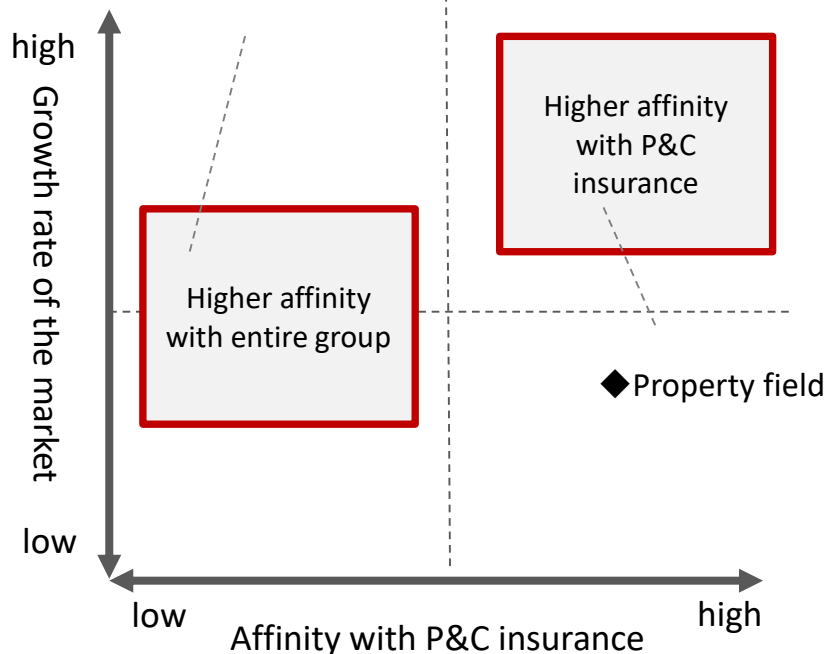
# Prioritized initiatives in FY2020 (2) - Expansion of business field and data strategy -

- ◆ Defined new business field with higher affinity with existing business.
- ◆ Aim to generate profit from new business and create a virtuous cycle build with data utilization toward group enhancement.

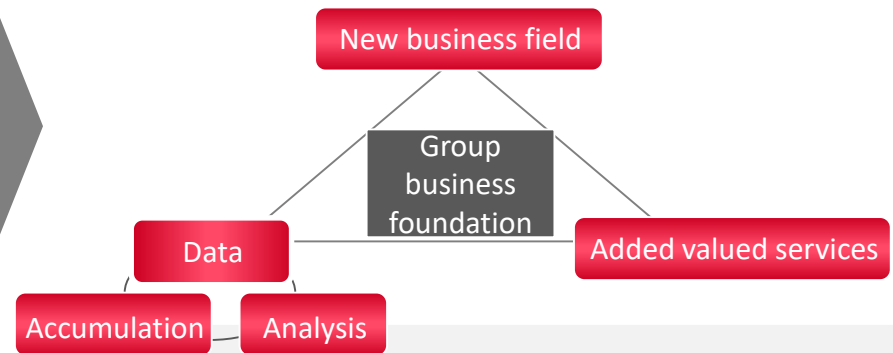
## Newly prioritized business fields

<Newly prioritized business fields>

- ◆ Healthcare and wellness field
- ◆ Emerging risks field (Data analytics etc.)



<Business model in new business fields>



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

The diagram shows the integration of data from Paramount Bed and SOMPO Holdings for analysis using Palantir. The data sources are:

- Sleeping data (Sleep Scan from PARAMOUNT BED)
- Meals, medications, Activities data (from SOMPO HOLDINGS)

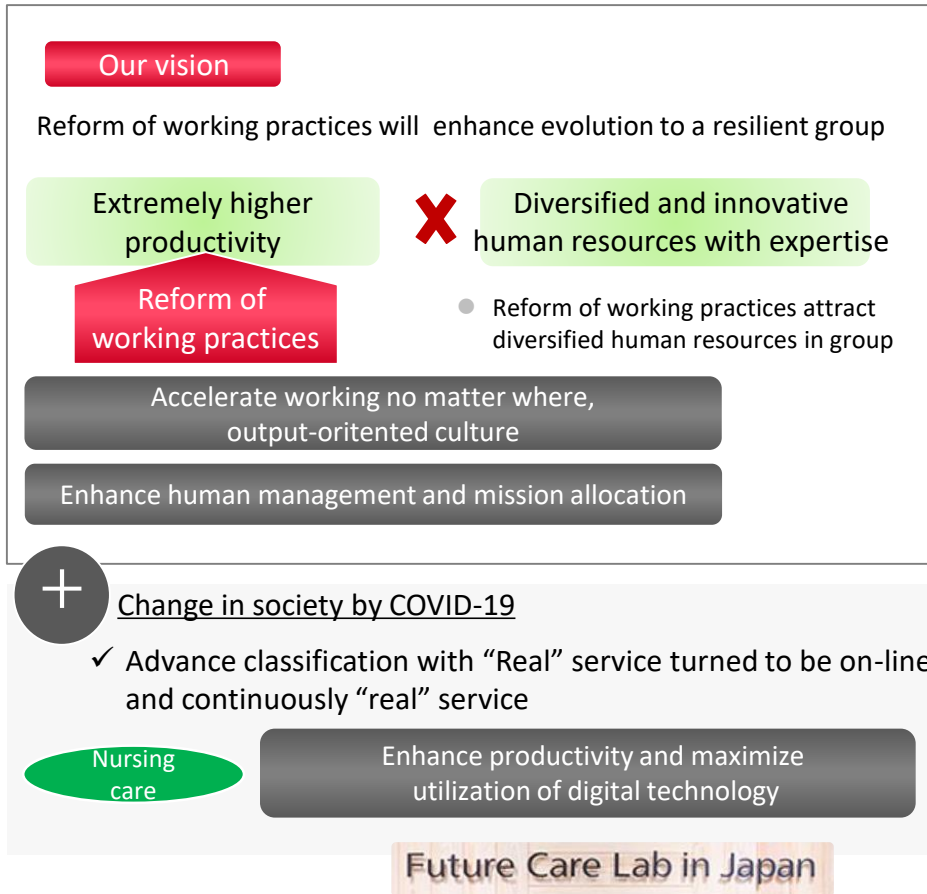
The analysis is performed using Palantir, leading to the following outcomes for SOMPO Care nursing facilities:

- Provide activities contributing to favorable sleep
- Higher efficiency of nursing care staffs among midnight cycling and medication management
- Aim to provide added valued solutions through analysis with medication, care services and nursing care level in the future

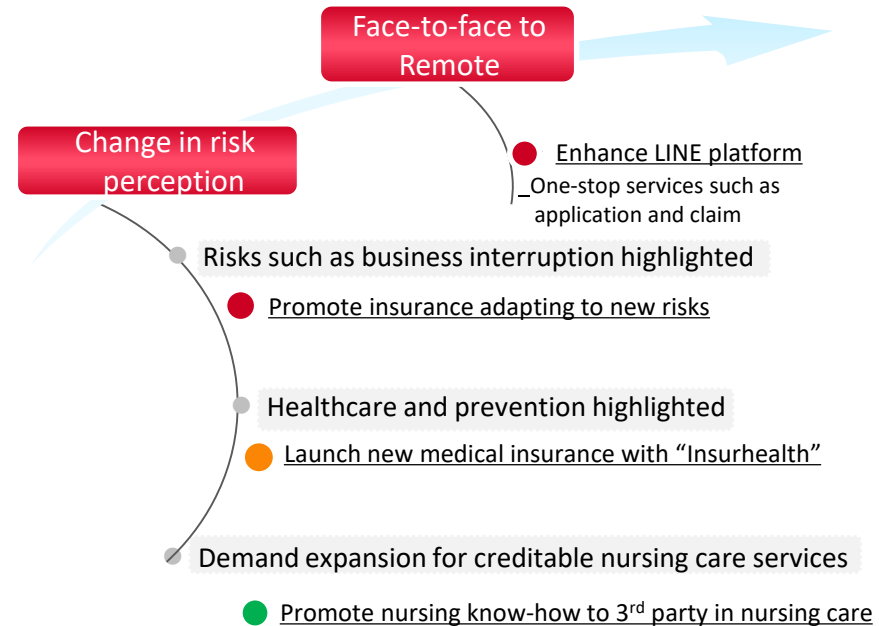
# Prioritized initiatives in FY2020 (3) - Adaption looking ahead to with/after COVID-19 -

- ◆ Accelerating reform of working practices taking COVID-19 as opportunity, which supports a group transformation.
- ◆ Adapt flexibly to change in market demand, and take business chance properly.

## Accelerate reform of working practices taking COVID-19 as opportunity



## Adapt to change in market needs



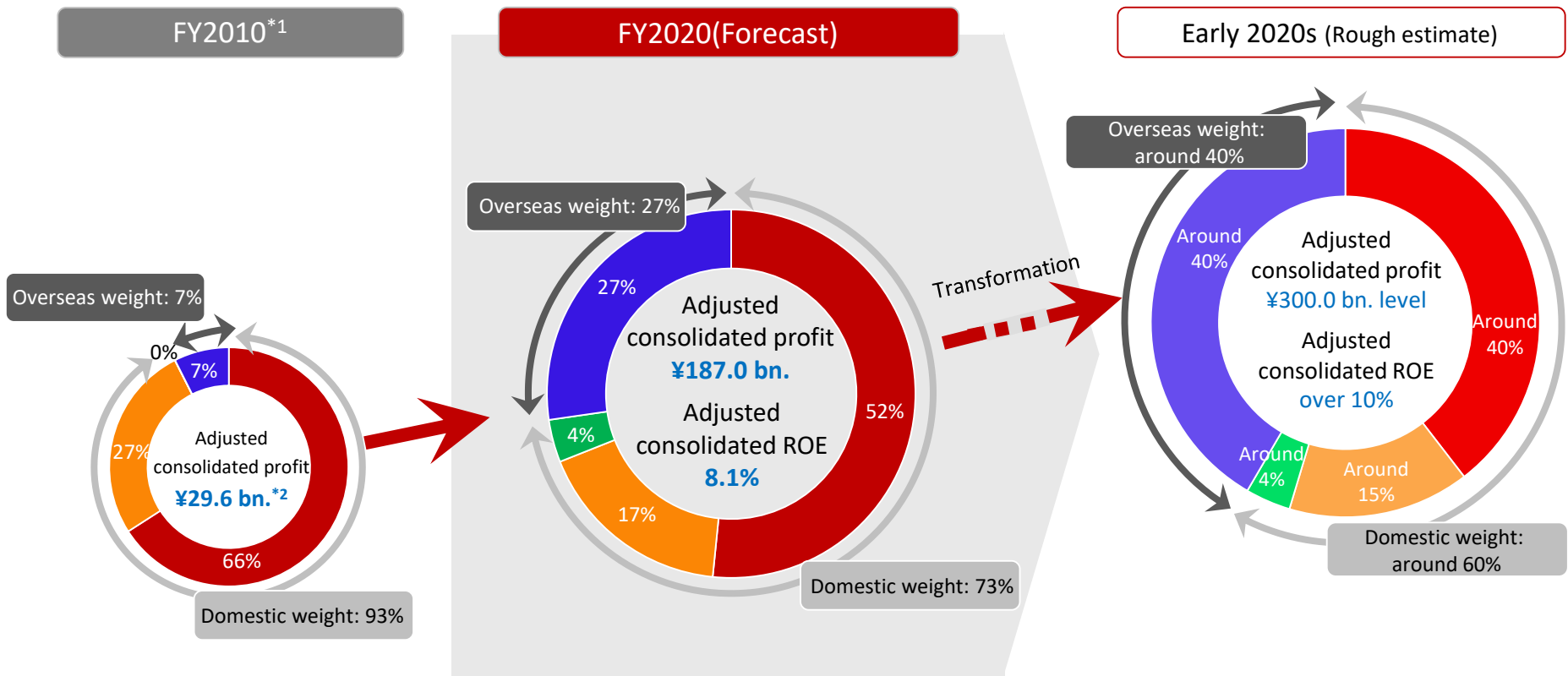


# (Reference) Business Portfolio Transformation

◆ 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.

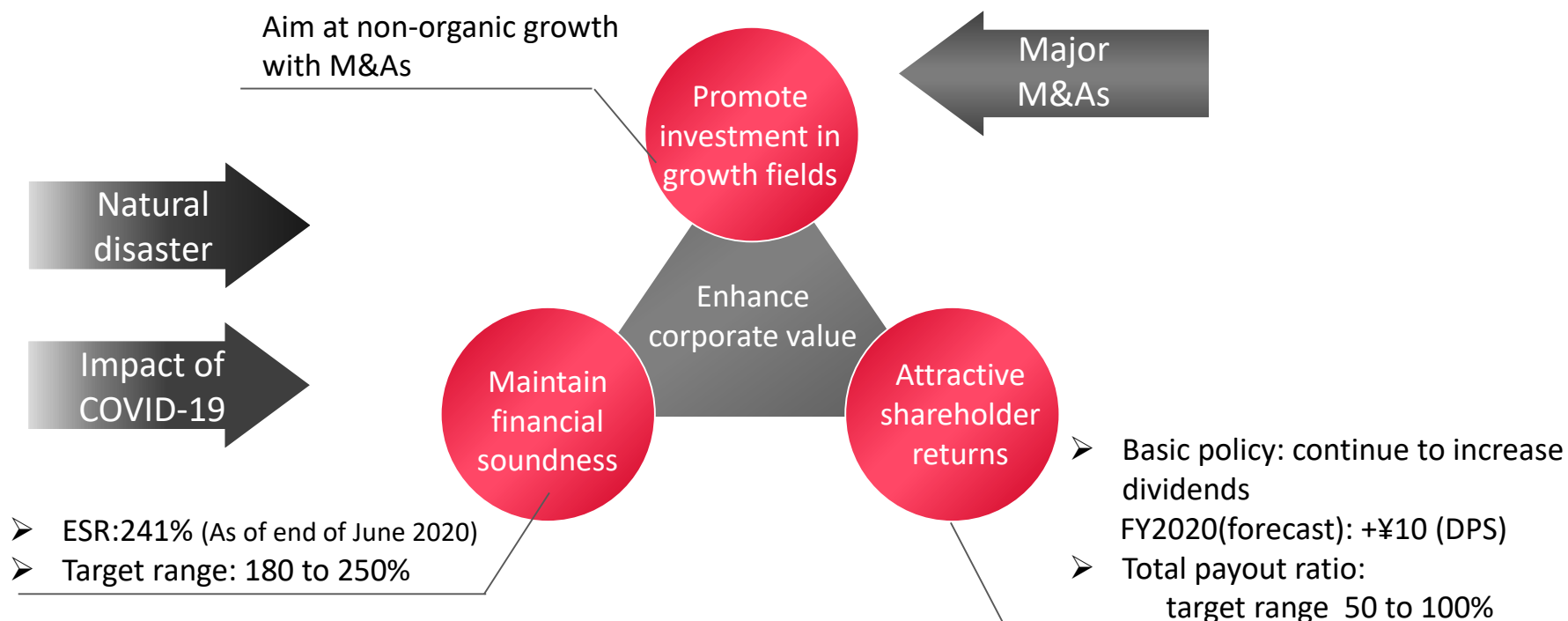


\*1 FY of SOMPO holdings establishment  
 \*2 Estimation based on current definition of adjusted profit

# Capital policy and Shareholder return

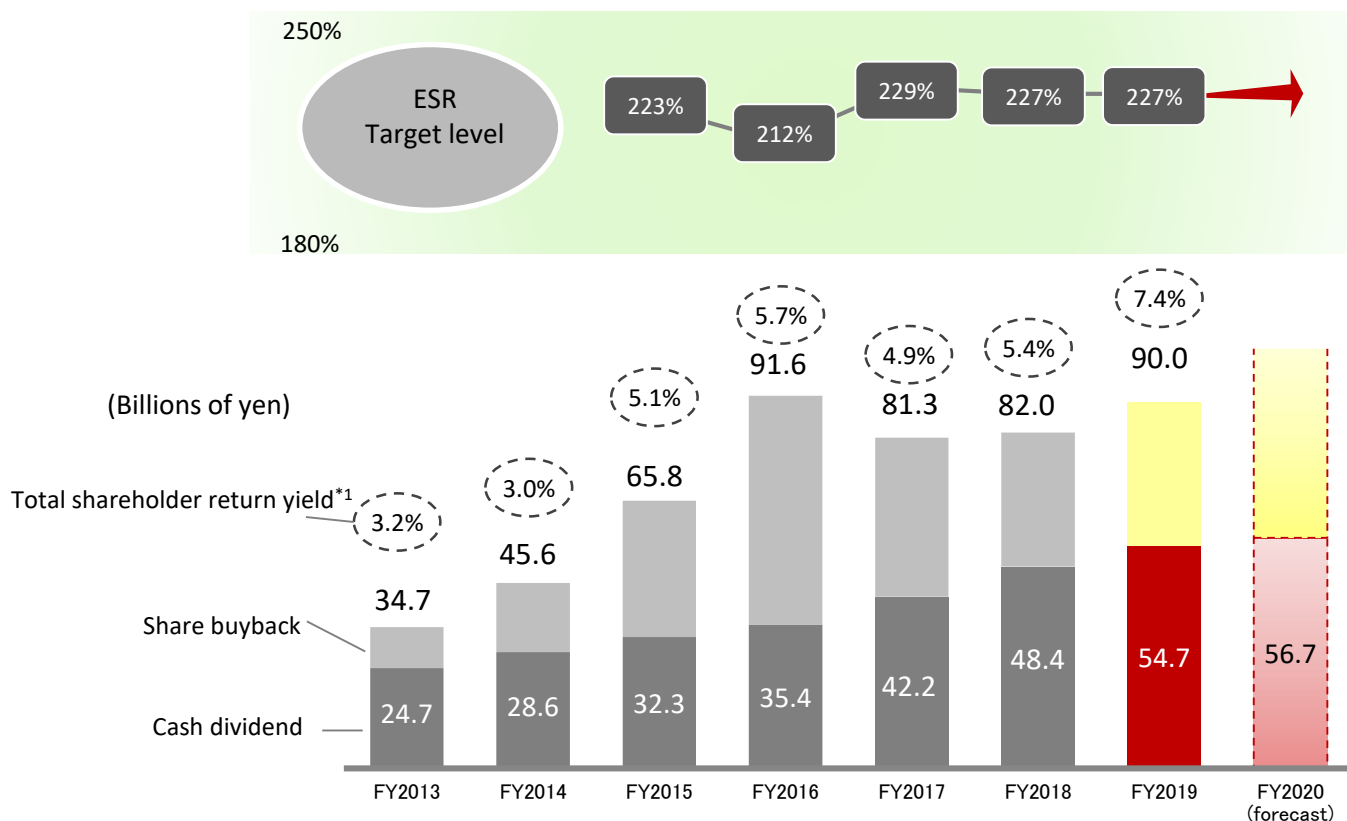
- ◆ Capital policy basically balances investment in growth fields, financial soundness and attractive shareholder returns.
- ◆ Shareholder return policy stays the same. Plan to increase dividend per share for FY2020 for seven consecutive years.
- ◆ We will consider total payout ratio for FY2020 taking 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

# (Reference) Numerical Management Targets, etc.

## Numerical management targets

(Billions of yen)	FY2019	FY2020	
	(Actual)	(1Q Actual)	(Forecasts)
Domestic P&C insurance	60.8	53.8	96.5
Overseas insurance	50.1	9.2	51.0
Domestic life insurance	32.0	7.9	32.5
Nursing care & healthcare, etc.	7.7	0.2	7.0
<b>Total (Adjusted consolidated profit)</b>	<b>150.8</b>	<b>71.2</b>	<b>187.0</b>
<b>Adjusted consolidated ROE*<sup>2</sup></b>	<b>6.4%</b>	-	<b>8.1%</b>
ROE (J-GAAP)	7.3%	-	9.4%

## Definition of adjusted profit\*<sup>1</sup>

### 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\*<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

\*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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1. About SOMPO Holdings

P1

2. Mid-term management plan

P6

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P6

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**P20**

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P38

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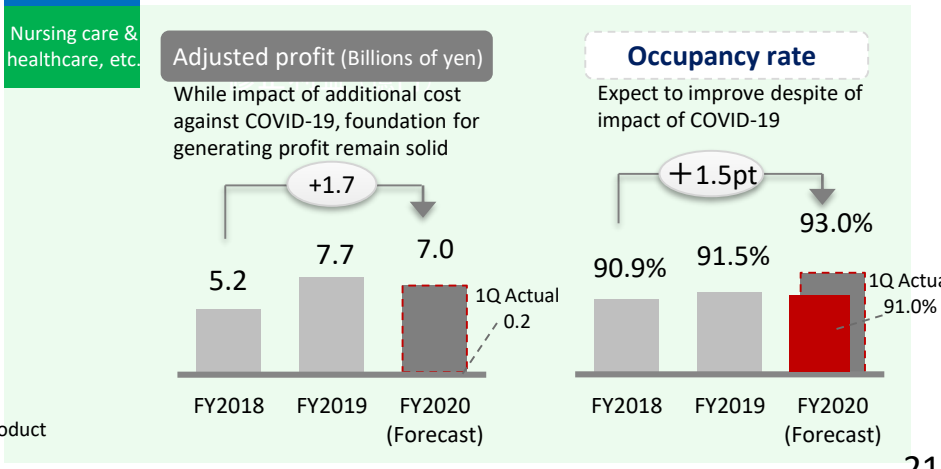
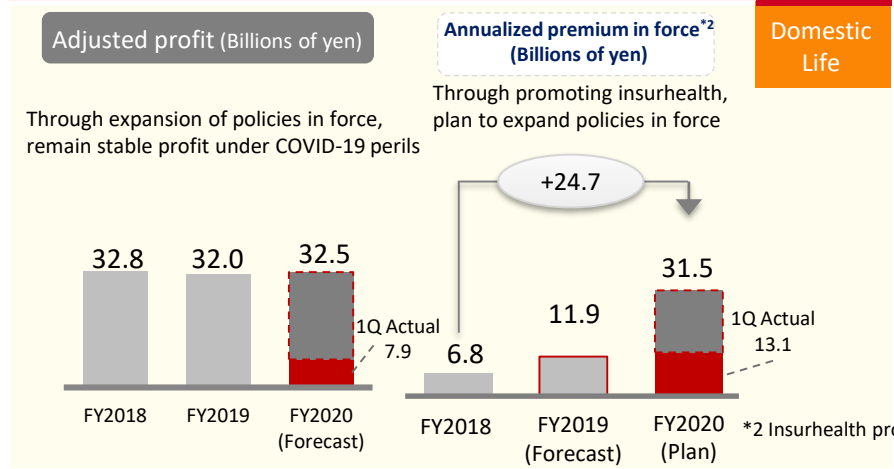
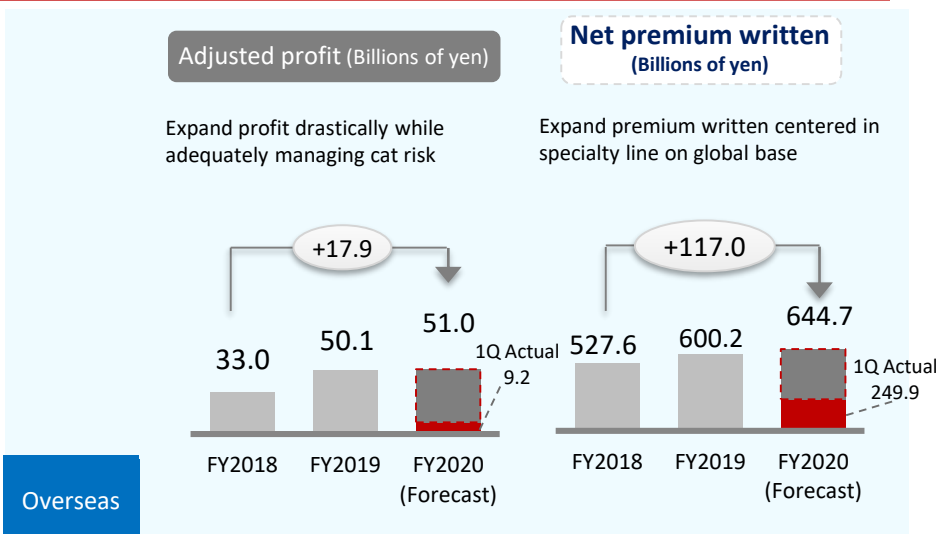
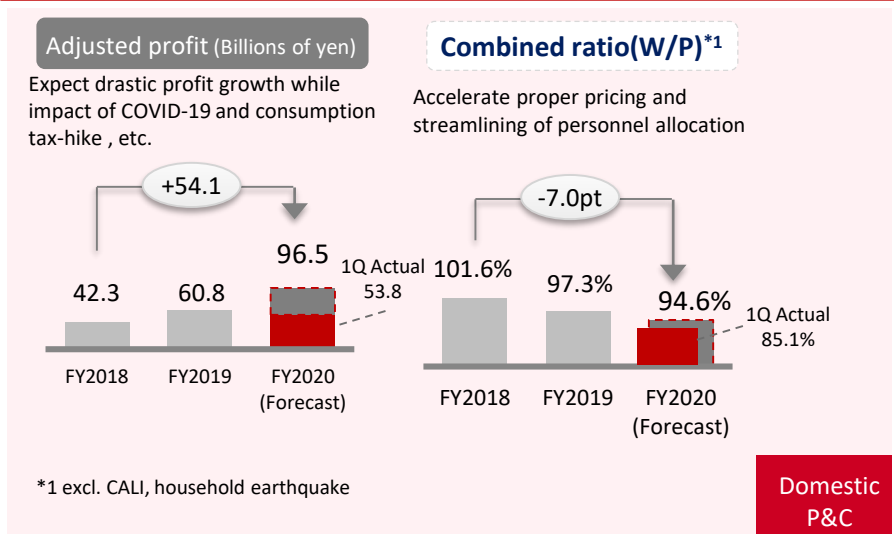
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P46

# Businesses progress of mid-term management plan

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

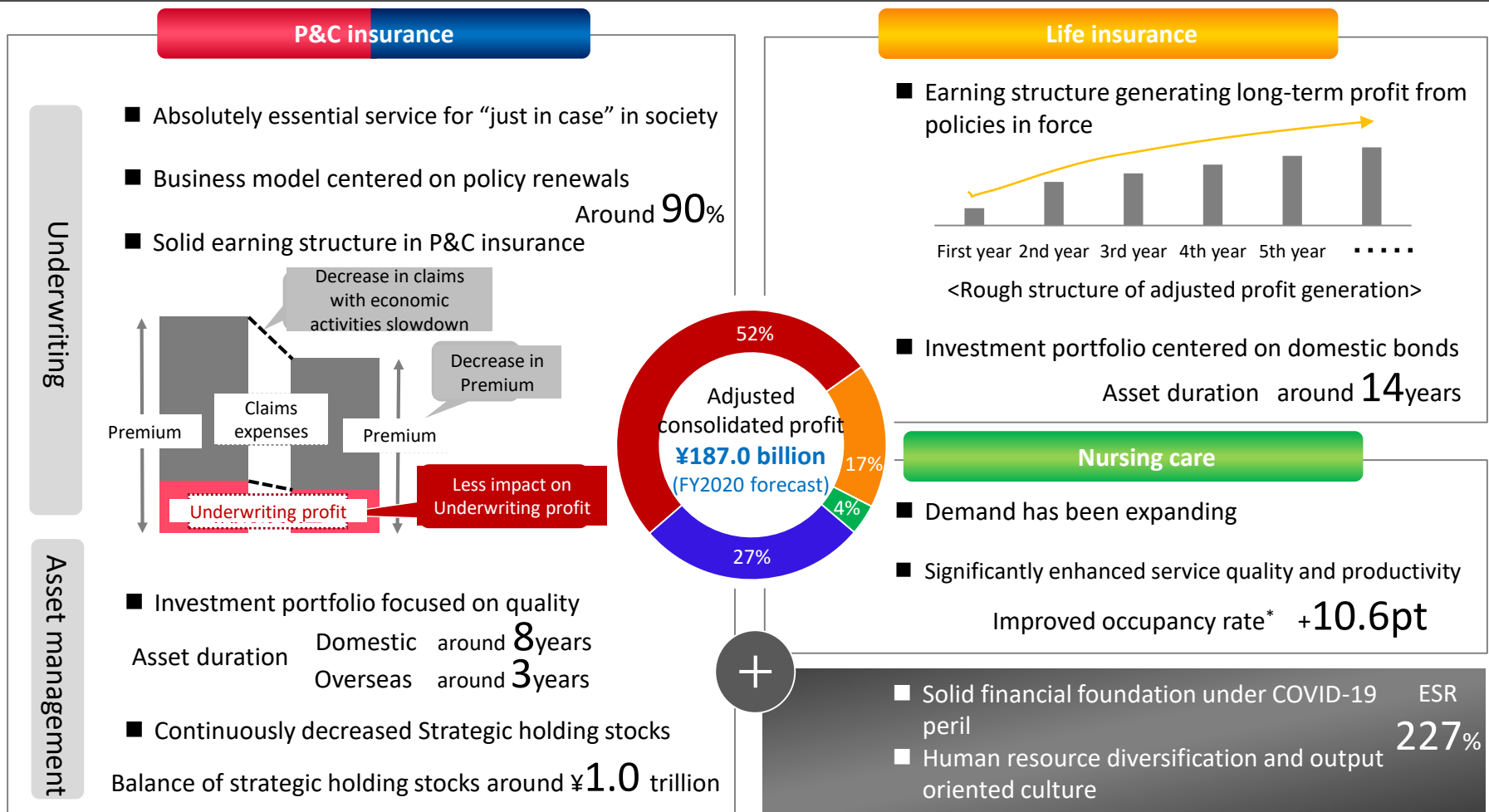
## Adjusted profit by segment and typical key factors



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

(Reference) Solid business foundations under adverse conditions (As of end of Mar. 2020)

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



\* As of end of FY2019 against the entry FY2015

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

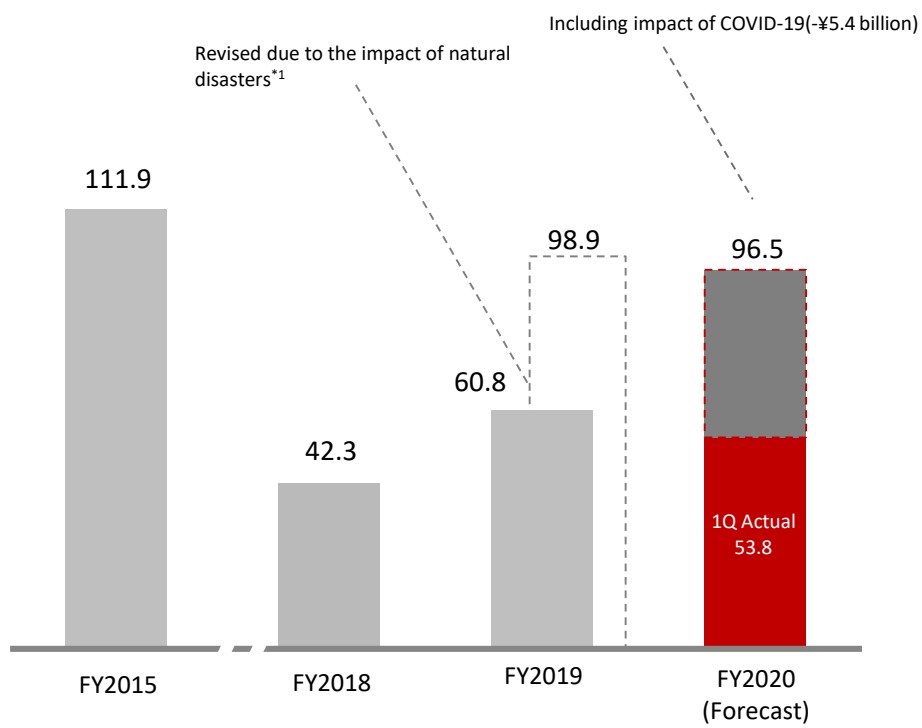
# Progress of Domestic P&C Insurance



- ◆ 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

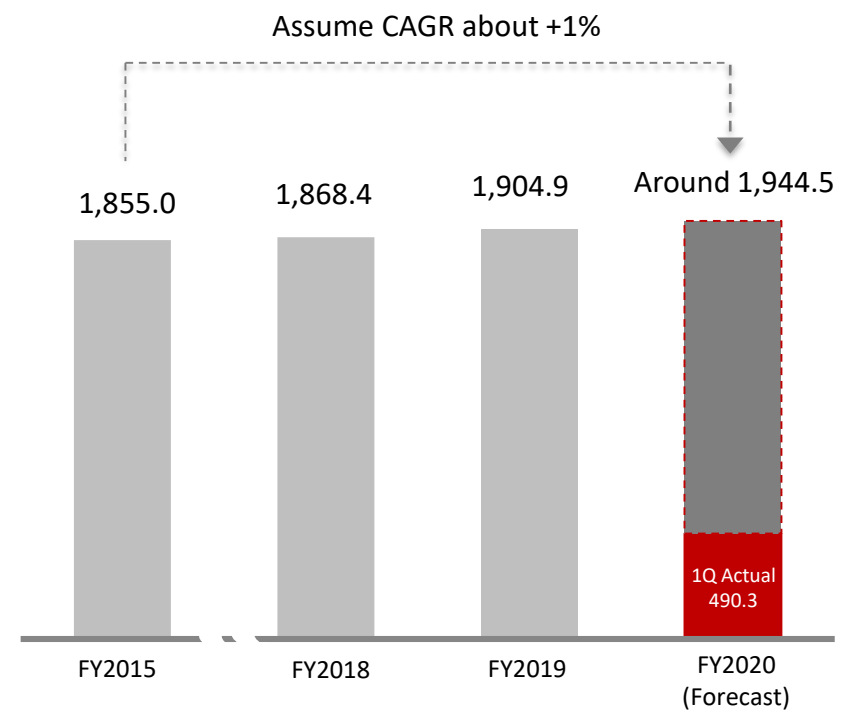
(Billions of yen)



\*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

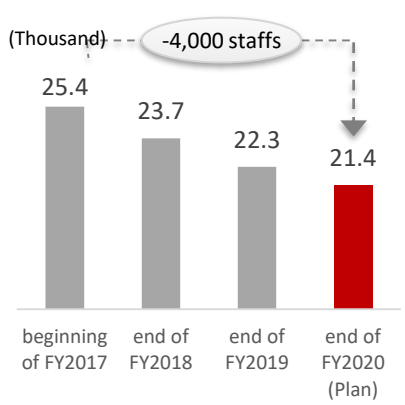
◆ Has enhanced profitability and expedite qualitative evolution while addressing changes in customer needs.

## (1) Improvement of productivity in existing business

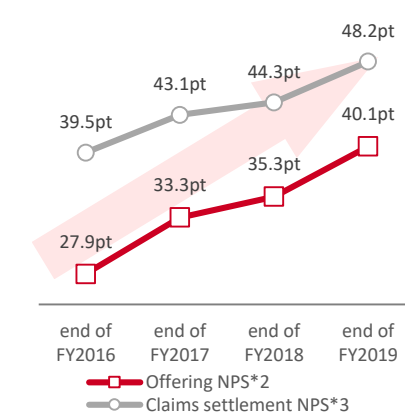
Strengthened measures to improve quality and enhance productivity, with an improving trend in customer satisfaction

- 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

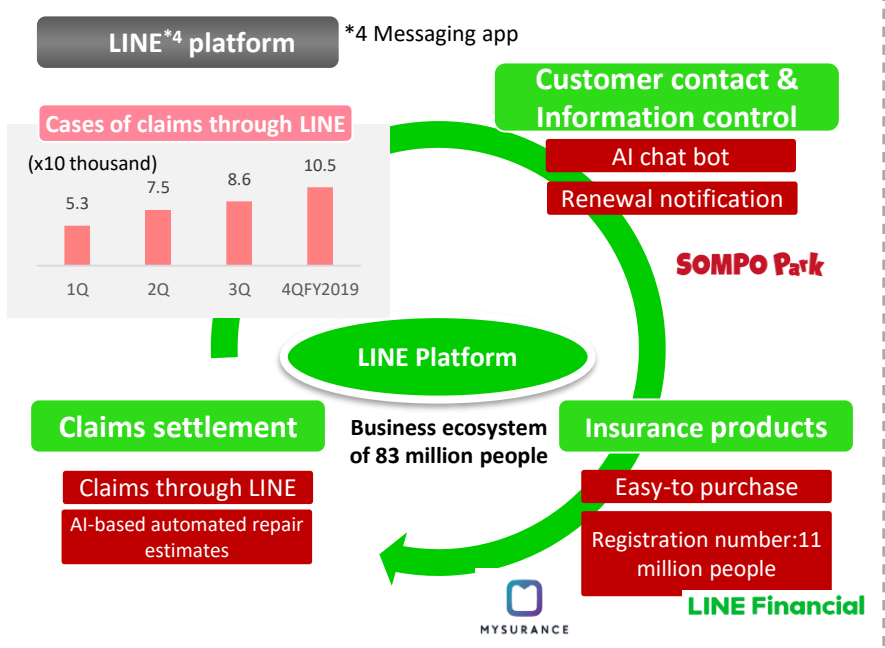


### Progress of customer satisfaction



## (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 policies, became the industry's third largest direct P&C insurer

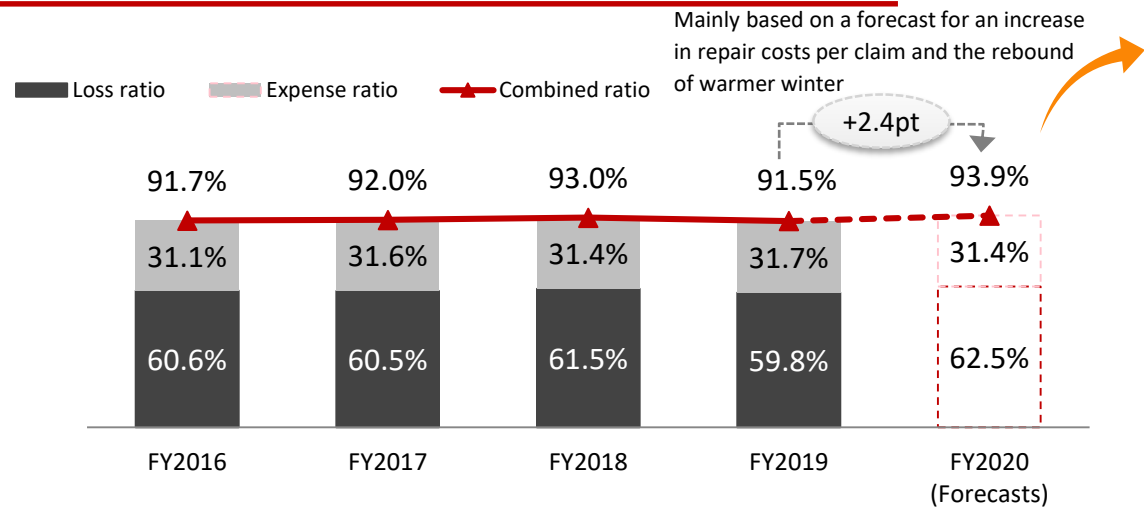


\*1 Staffs engaging Sompo Japan \*2 Net Promoter Score of answer through letters and web about auto insurance contract \*3 Net Promoter Score of answer through letters and web about auto insurance claims

# (Reference) Automobile Insurance

◆ Plan rate-hike as well as cost reduction, based on consumption tax hike and amendments to Japan's Civil Code.

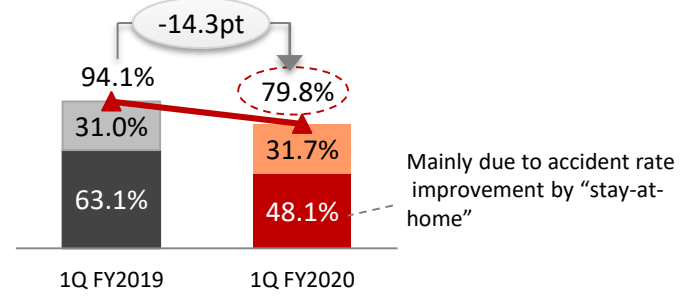
## Combined ratio (E/I)



Rate-hike (Jan. 2020) × Cost reduction

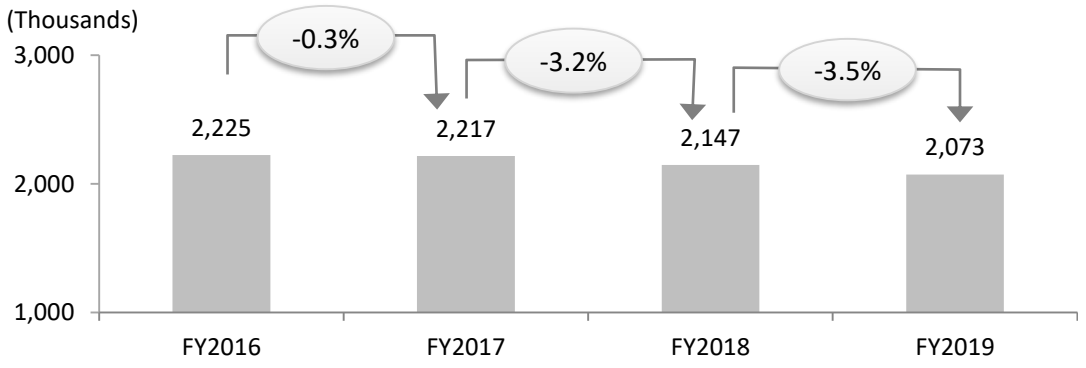
Adjust based on consumption tax hike and amendments to Japan's Civil Code

## Trend of 1Q Results



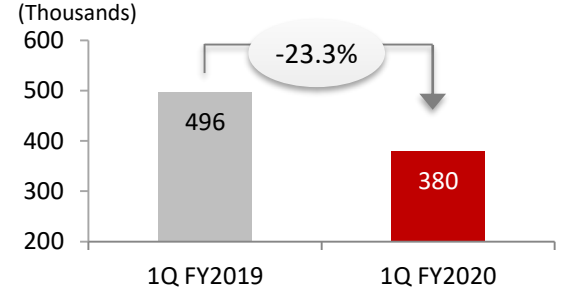
\* Loss ratio is on a E/I basis (including loss adjustment expense)

## The number of reported claims



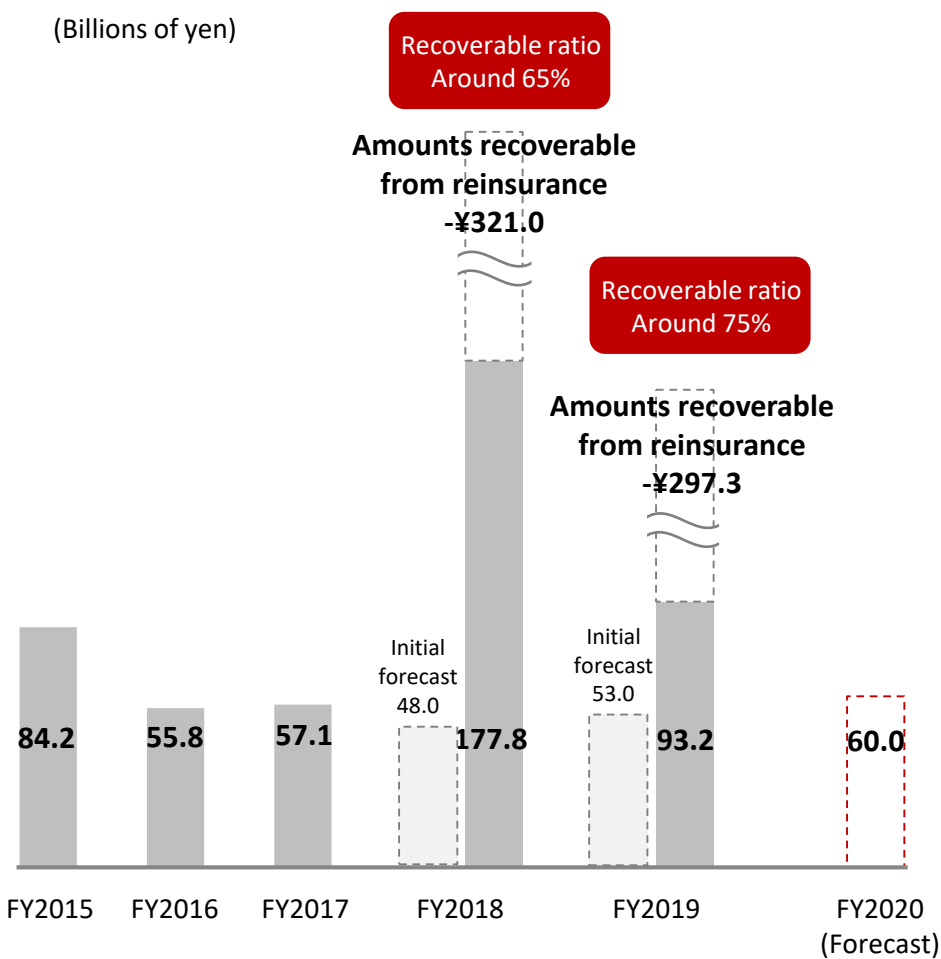
\* Exclude certain natural disasters, whose incurred loss exceeds certain threshold

## Trend of 1Q Results



# (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



\* Since outstanding loss reserve is worked out by compendium method in 1Q results, incurred losses related to natural disasters were not aggregated.

**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

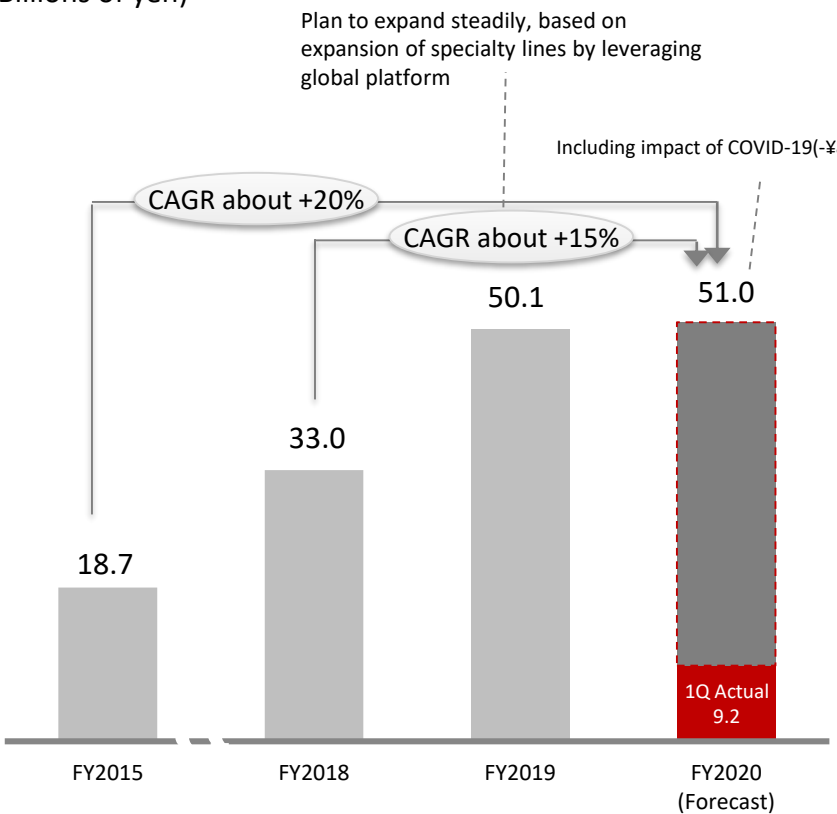
	Hurricanes	Heavy rain
Present	No specific change in frequency and intensity of hurricanes landed	Increase in frequency
Mid and long term	<ul style="list-style-type: none"> <li>Decrease in frequency</li> <li>Increase in intensity</li> </ul>	Increase in annual frequency of heavy rain and squalls

# 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.

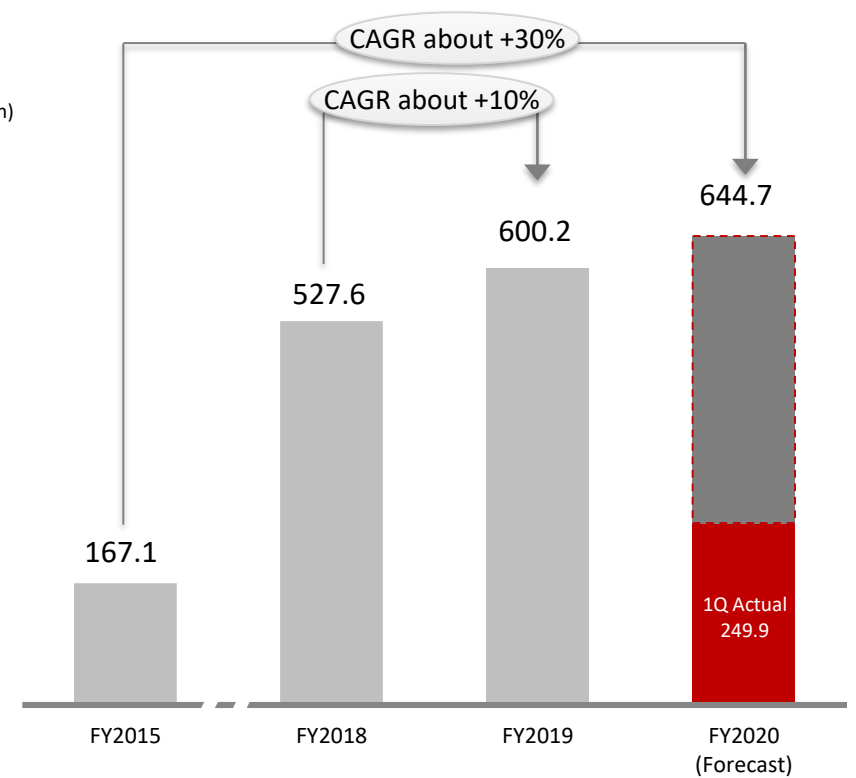
## Plan for adjusted profit

(Billions of yen)



## Premiums\*

(Billions of yen)



\* 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

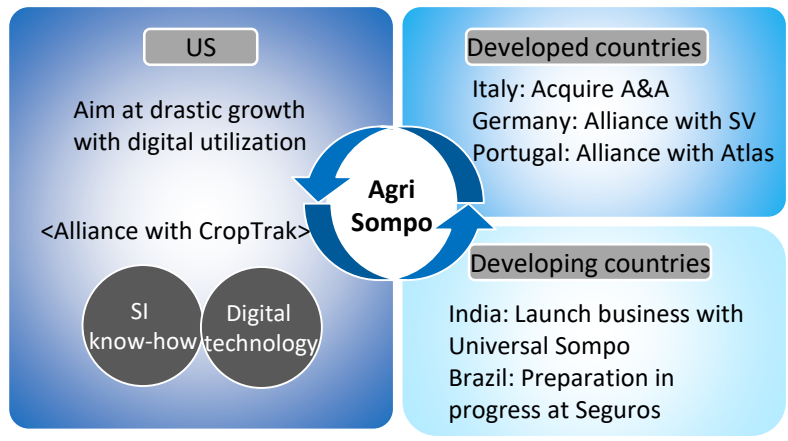
- ◆ Continue to enhance presence of crop insurance business through utilization of global platform and bolt-on M&As.
- ◆ Aim at sustainable and stable growth through accelerating higher profitability in retail lines and selection and concentration of existing business.

## (1) Accelerate expansion of crop insurance

Enhance expertise

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

<Expansion strategy of crop insurance>

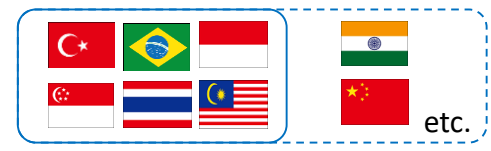


## (2) Growth strategy through Retail Platform

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

# Business Results by Company (1Q FY2020)

(Billions of yen)		Net premiums written			Adjusted profit			Key points	(Reference) Exchange rate	
		1Q FY2020		FY2020	1Q FY2020		FY2020		Mar. 2020*2	
		Actual	Change	Forecasts	Actual	Change	Forecasts		(YoY Change)	
North America & Europe	SI	216.4	+38.4	474.8	5.3	-3.8	41.0	*Refer to page 50	108.83 JPY/USD	(-1.9%)
Asia & Middle East	Sompo Sigorta (Turkey)	8.7	+0.1	44.2	2.1	+0.0	4.6	While impacted by currency depreciation, loss ratio improved.	16.53 JPY/TRY	(-17.0%)
	Sompo Singapore	1.9	-0.2	7.5	0.2	+0.2	0.6	-	76.37 JPY/SGD	(-6.7%)
	Berjaya Sompo (Malaysia)	3.2	-0.7	14.8	0.5	+0.1	1.2	Loss ratio progressed favorably.	25.16 JPY/MYR	(-7.5%)
	Sompo Indonesia	0.7	-0.2	8.0	-0.0	-0.1	0.5	Impacted by slow down of automobile line.	0.0067 JPY/IDR	(-14.1%)
	Sompo China NK China	1.3	+0.0	7.5	0.2	-0.0	0.6	-	15.31 JPY/RMB	(-7.0%)
	Sompo Hong Kong	0.8	-0.1	3.5	0.0	+0.0	0.3	-	14.04 JPY/HKD	(-0.7%)
	Universal Sompo (India)	1.4	+0.0	9.0	0.2	+0.1	0.3	Loss ratio progressed favorably.	1.44 JPY/INR	(-8.3%)
	AYA SOMPO (Myanmar)	0.0	+0.0	0.2	0.0	+0.0	0.0	-	0.0737 JPY/MMK	(-)
Latin America	Sompo Seguros (Brazil)	14.3	-3.2	70.2	-0.7	-0.6	1.5	Impacted mainly by provision of IBNR loss reserve in fire line.	20.95 JPY/BRL	(-26.3%)
Other (non-consolidated)*1		0.7	-0.0	4.4	0.1	+0.0	0.0	-	-	-
Total		249.9	+34.0	644.7	9.2	-2.9	51.0	-	-	-

\*1 Sum of Sompo Thailand, PGA Sompo (Philippines), United Insurance (Vietnam).

\*2 Universal Sompo's exchange rate is based at the end of June 2020. AYA SOMPO's exchange rate is based at the end of December 2019. Exchange rate for forecasts for FY2020 is based at the end of March 2020.

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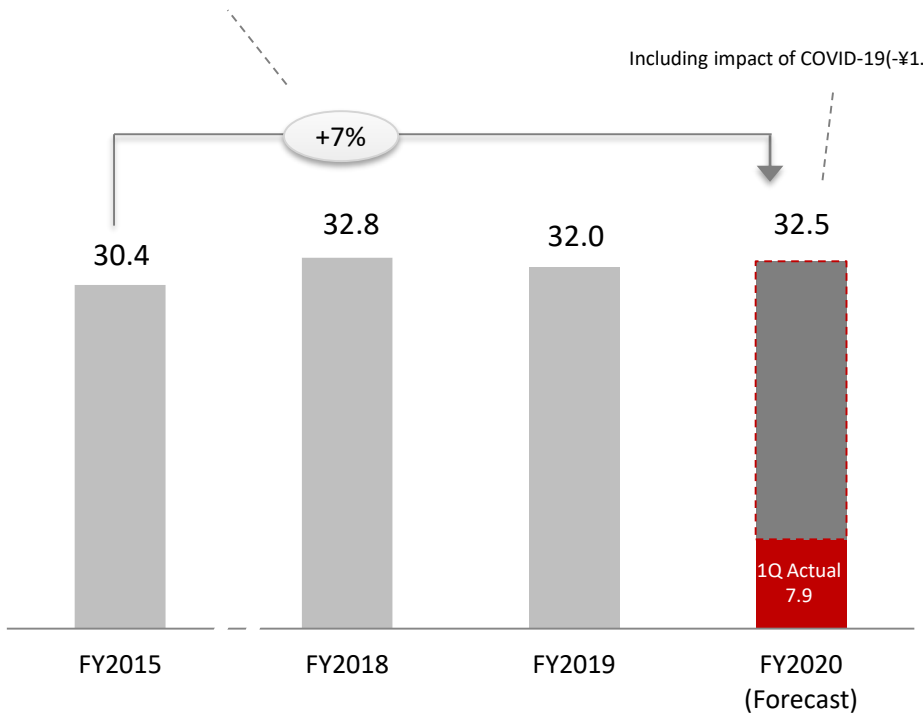
# Progress of Domestic Life Insurance

- ◆ 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)

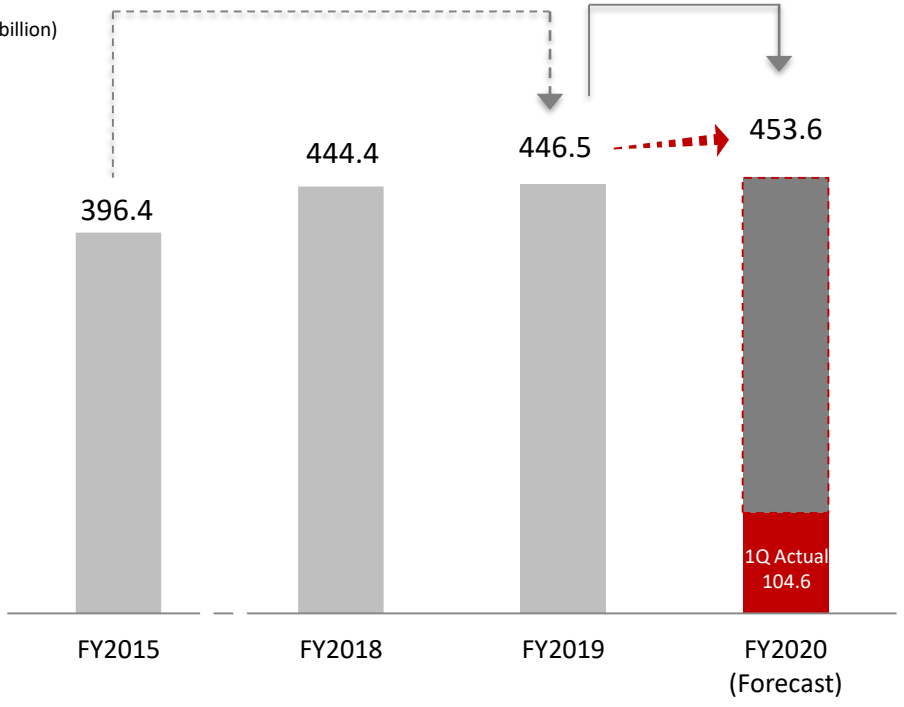
Mainly due to policies in force expanded steadily by providing new products in timely manner centered on medical and income compensation products



## Premium and other income

(Billions of yen)

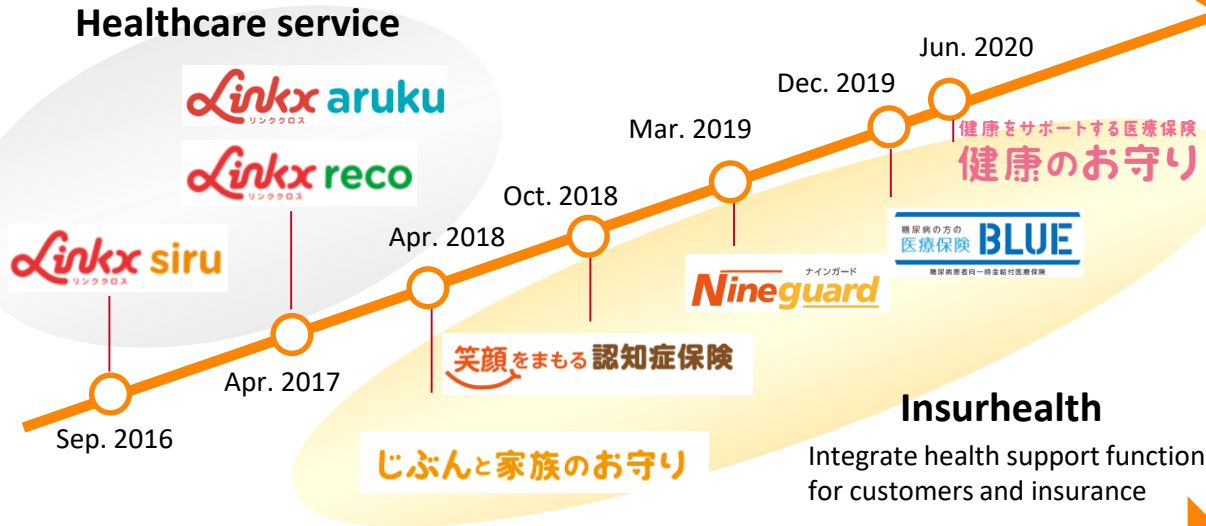
CAGR of over +3%  
Expand policies in force further through new medical insurance



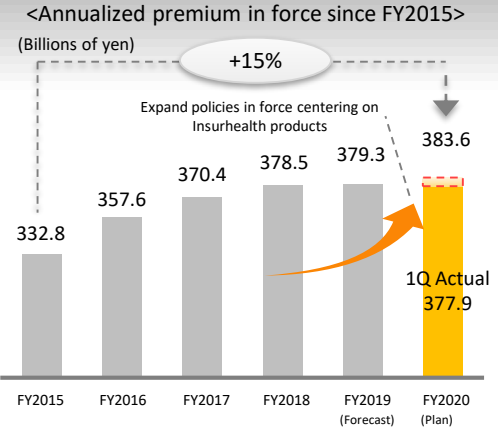


◆ Aim at growth by launch of new “Insurhealth” products as well as higher productivity.

New Growth Strategy

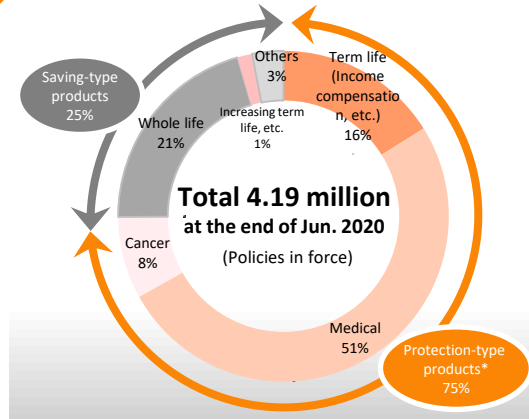


### Expand policies in force



### 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.



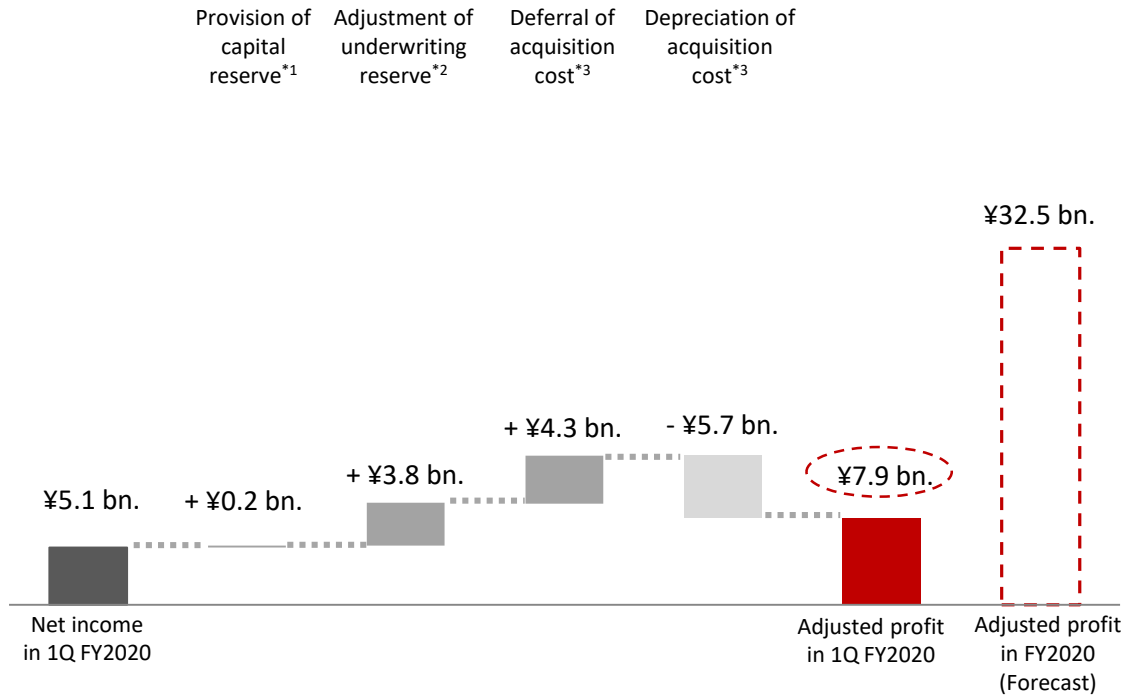
\* Mainly medical, cancer, income compensation, and term life insurance (excluding long term life insurance, etc.)

Evolve into a health support enterprise

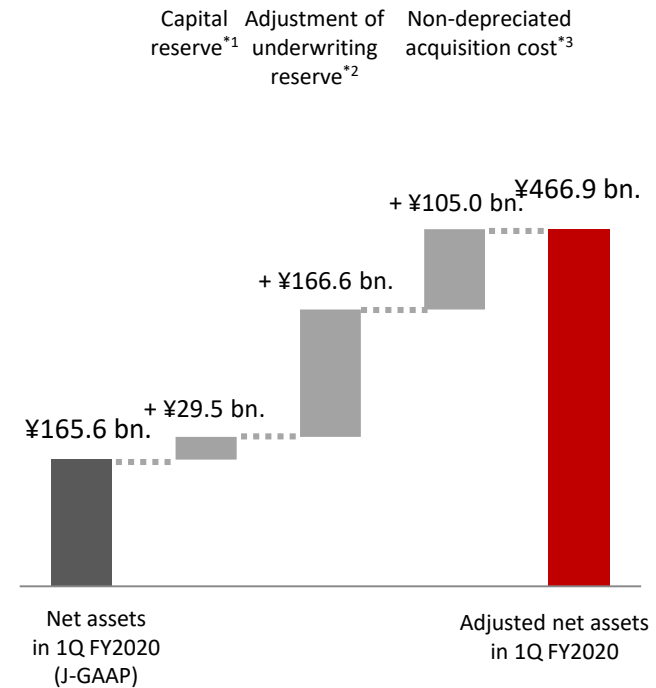
Drastic improvement of profitability

<b>Human Resource</b>	➢ Transformation of HR management policy (integrate job classifications and revise remuneration system)
<b>Business Innovation</b>	➢ Concentrate administrative work at head office ➢ Centralize organization-wide administrative work at head office
<b>Reform of working practices</b>	➢ Flexible workstyles (Accelerate telework) ➢ Introduce hot desking
<b>Health &amp; productivity management</b>	➢ No smoking at any time during work hours

## Conversion from net income to adjusted profit



## (Reference) Adjusted net assets



\*1 Contingency reserve and reserve for price fluctuation (after tax).

\*2 Re-calculate underwriting reserve, which is calculated conservatively, with factors used for calculation of premiums (after tax).

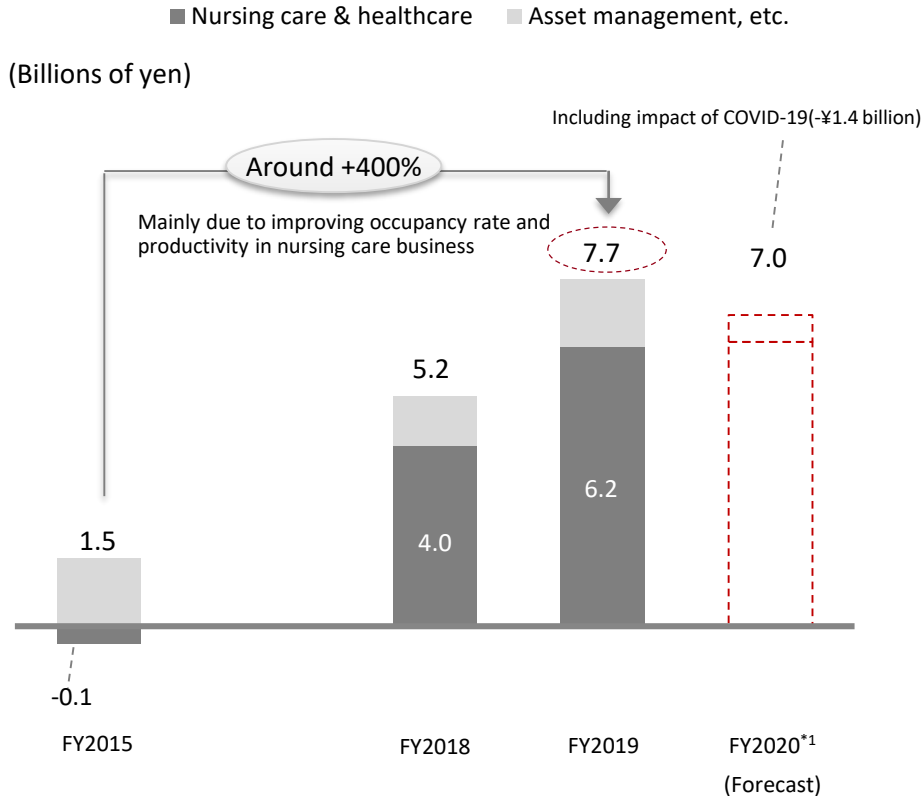
\*3 Acquisition cost, such as commissions for new contracts, depreciated over 10 years (after tax).

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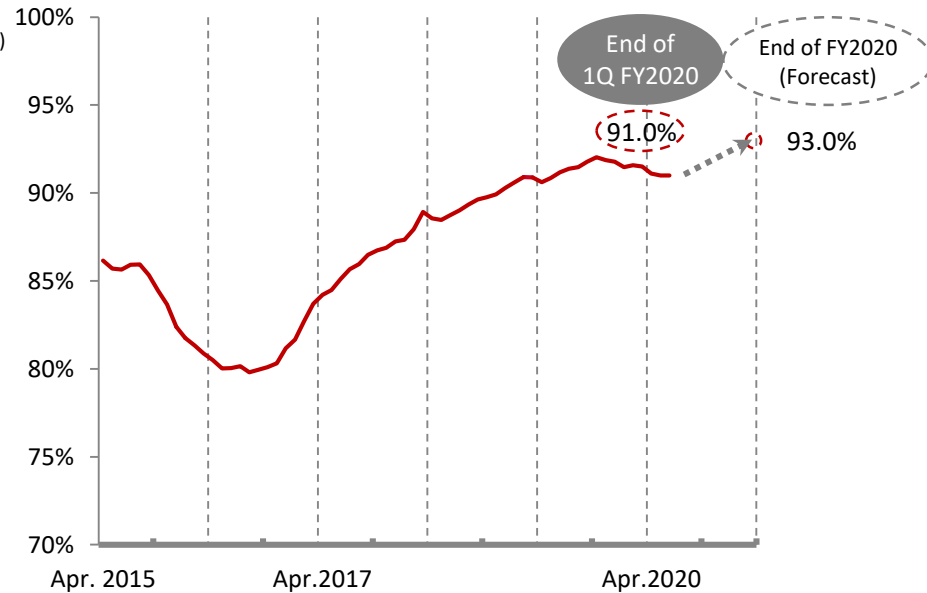
# Progress of Nursing Care & Healthcare, etc.

- ◆ 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

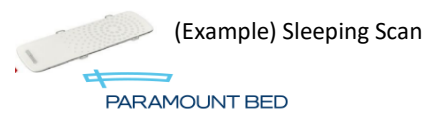
### Higher efficiency

- ◆ 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 3<sup>rd</sup> party nursing care providers



Develop added valued services through data accumulation and analysis

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1. About SOMPO Holdings

P1

2. Mid-term management plan

P6

(1) Group management

P6

(2) Business strategies for each business segment

P20

(3) ERM, capital policy & asset management

P38

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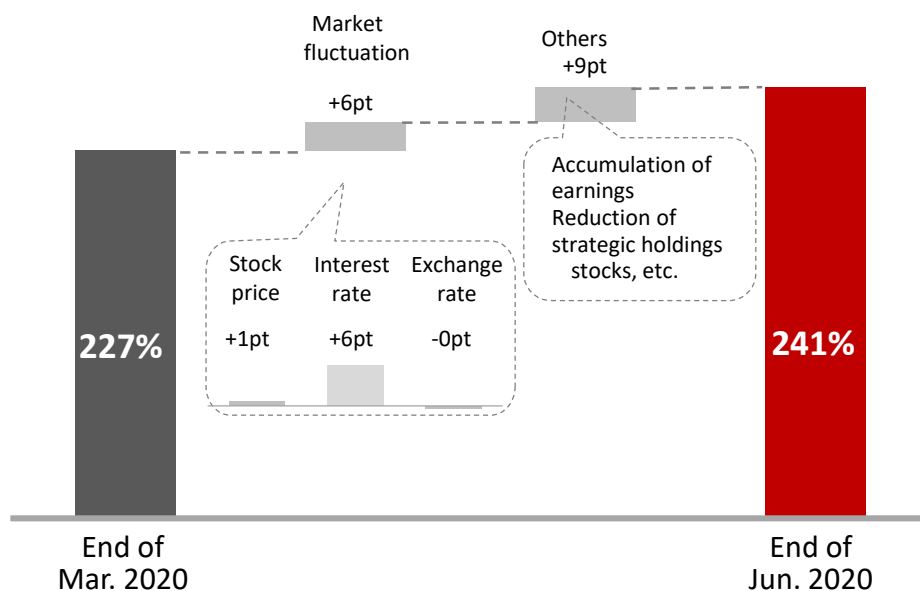
Appendix

P46

# Financial Soundness – ESR (99.5%VaR)

◆ ESR (99.5%VaR) as of end of 1Q FY2020 was 241%, within 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).

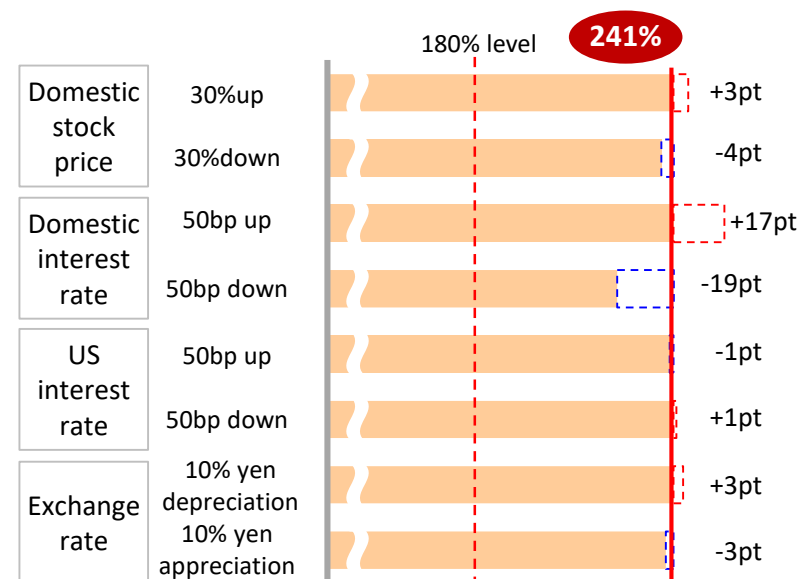
180% level: The level leading to stable financial soundness based on the result of stress test, etc.

Typical actions in case of constant deviation from target range

【Over 250% level】 Consider additional risk-take (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

(Reference) Market indicators	End of Jun. 2020	(change*2)
Domestic stock price (Nikkei 225)	¥22,288	(+17.8%)
Domestic interest rate (30y JGB)	0.60%	(+16bp)
US interest rate	0.66%	(-1bp)
Exchange rate (JPY/USD)	¥107.74	(-1.0%)

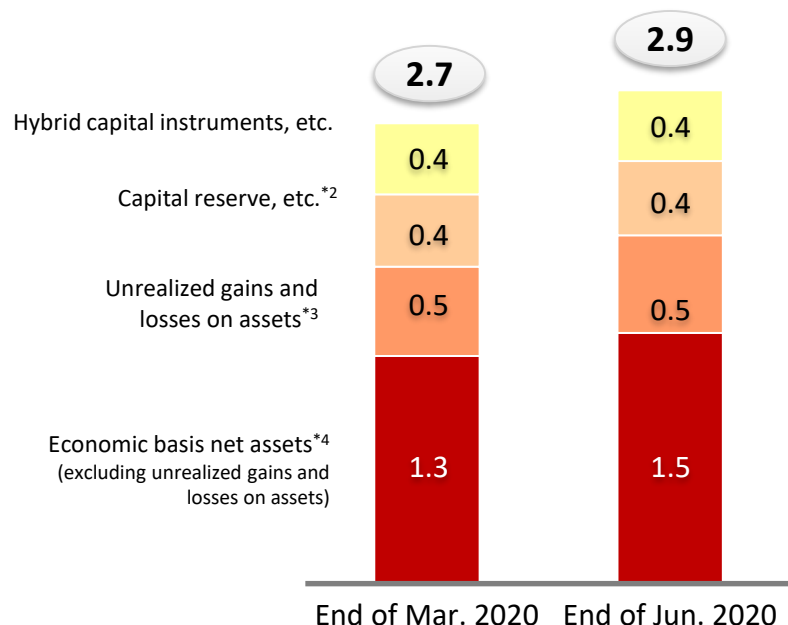
\*2 Against the end of March 2020



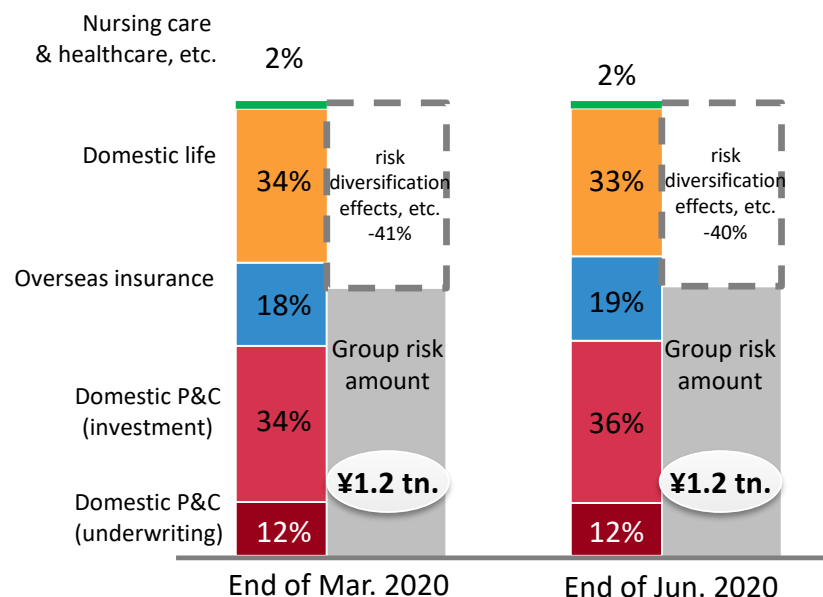
# Breakdown of Adjusted Capital and Risk

## 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

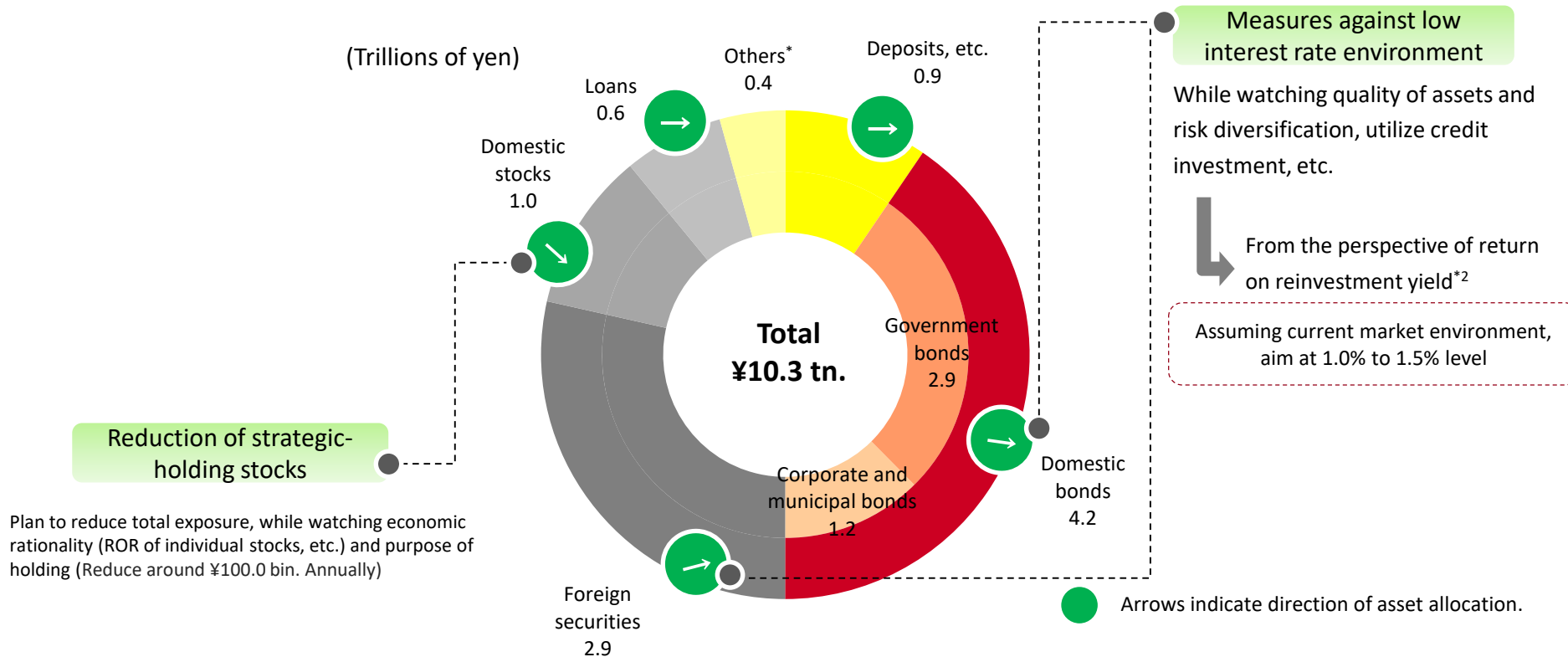
• Risk amount of each business : Before reflecting risk diversification effect among businesses and before-tax basis.

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

# 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\*<sup>1</sup> and asset management policy



\*1 End of Jun. FY2020, group-wide basis (Trillions of yen)

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

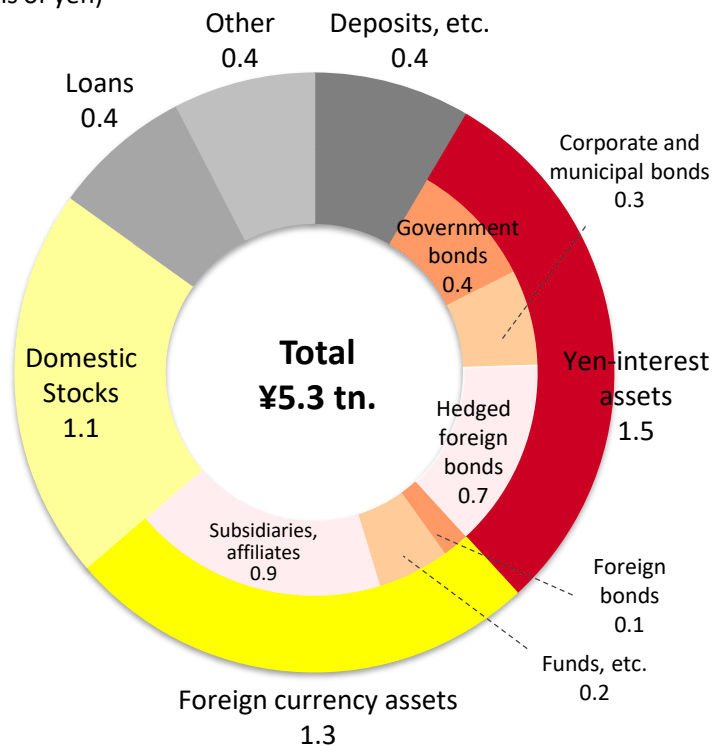
# Asset Portfolio – Sompo Japan

◆ Continues to manage reduction of strategic-holding stocks and maintain diversified investments.

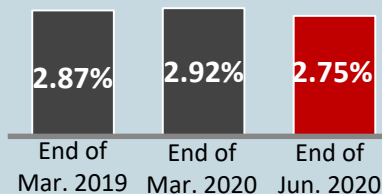
## Amount of investment assets (as of end of June 2020, Sompo Japan, non-consolidated)

### <General account>

(Trillions of yen)



### Trend of income yield\*<sup>1</sup> (General account)



### Composition of ratings\*<sup>2</sup>

Internal rating	Composition	Duration (years)	
		End of Mar. 2020	End of Jun. 2020
BBB or above	100%	Asset 7.9	7.8
BB or below	0%	Liability 8.4	8.4

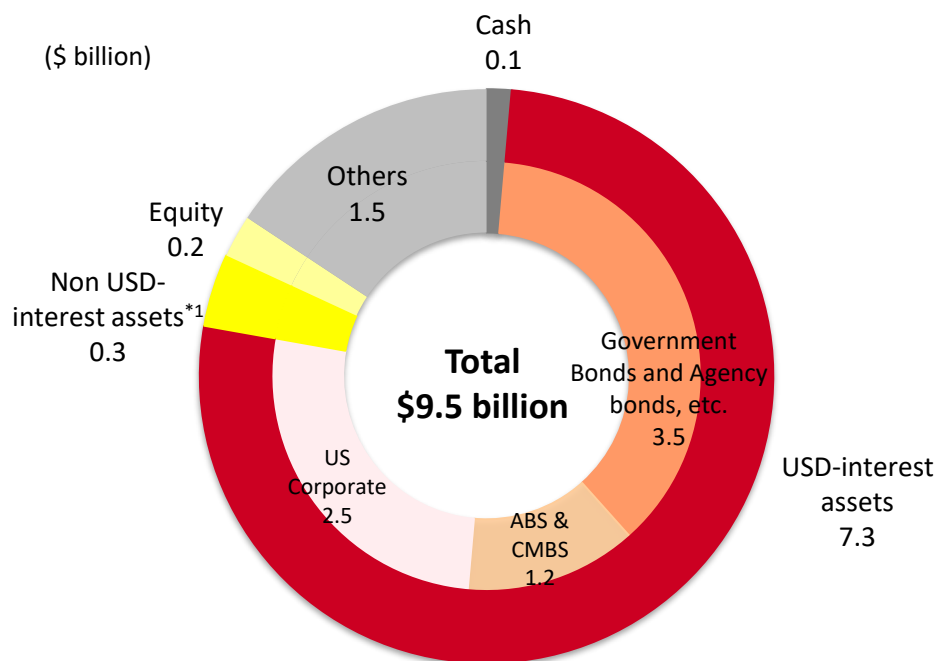
\*1 Excluding overseas subsidiaries' shares, etc.

\*2 Total of yen-interest assets and foreign currency bonds

# Asset Portfolio - SI

- ◆ Maintains liquid, high quality assets to meet company liabilities, while investing predominantly in USD-interest assets.

## Amount of investment assets (as of end of March 2020, SI, consolidated)



### Composition of ratings<sup>\*3</sup>

Rating	Composition
BBB or above	91%
BB or below	9%

### Duration (years)

	End of Dec. 2019	End of Mar. 2020
Asset	3.0	2.8
Liability	3.0	3.2

(Reference) Income yield<sup>\*2</sup> at the end of March 2020: 2.92%

\*1 Incl. cash

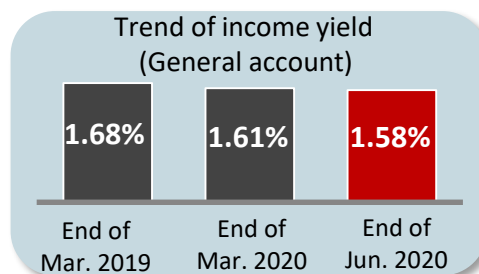
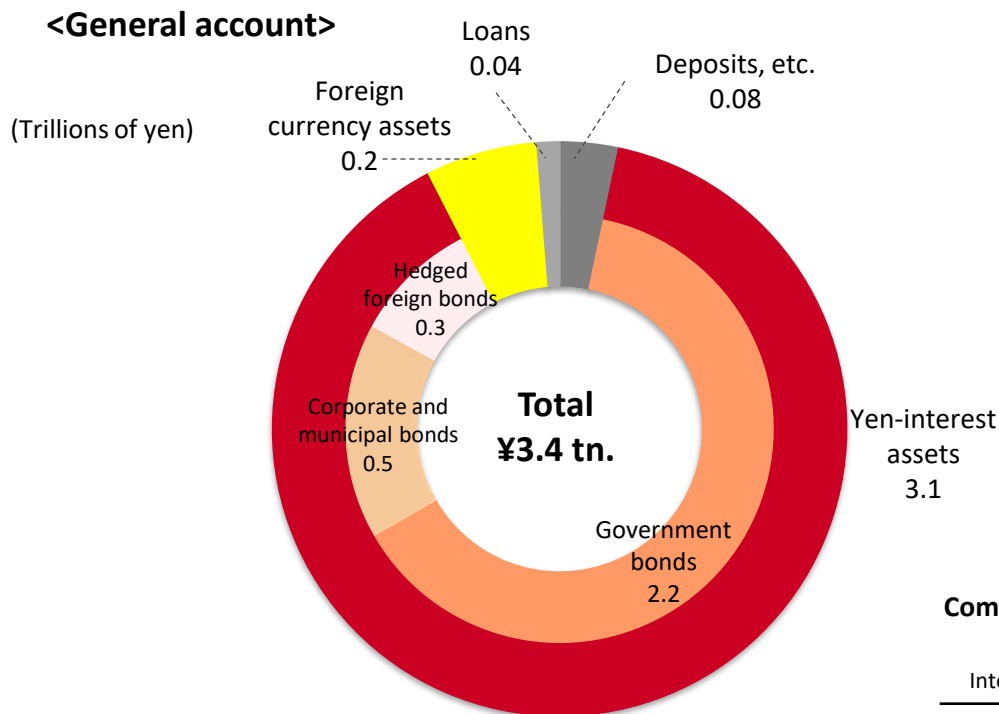
\*2 Incl. changes in unrealized gains and losses on certain funds, etc.

\*3 Total of bond assets

# Asset Portfolio – Himawari Life

- ◆ Manages the portfolio through disciplined ALM, which mainly consists of yen-interest assets.
- ◆ Slightly increased allocation to corporate bonds, etc. in light of the domestic low interest rate environment.

## Amount of investment assets (as of end of June 2020, Himawari Life, non-consolidated)



### Composition of ratings\*

Internal rating	Composition
BBB or above	100%
BB or below	-

### Duration (years)

	End of Mar. 2020	End of Jun. 2020
Asset	14	14
Liability	28	27

(Reference) Amount of separate account (End of June. 2020): ¥21.3 billion  
(mainly investment in domestic stocks and bonds in the separate account)

\* Total of yen-interest assets and foreign currency bonds

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1. About SOMPO Holdings P1

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2. Mid-term management plan P6

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(1) Group management P6

(2) Business strategies for each business segment P20

(3) ERM, capital policy & asset management P38

Appendix

P46

# Group Management Philosophy

## Group Management Philosophy

We will at all times carefully consider the interests of our customers when making decisions that shape our business. We will 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.

## Group Action Guidelines

To provide the highest possible quality of service to our customers we will:

1. treat each and every customer with sincerity, and act in the knowledge that our every action as an individual shapes our entire reputation as a company;
2. act with initiative, set ourselves the highest goals, and always learn from our actions;
3. strive to be both prompt and clear in our dealings and activities; and,
4. act with the utmost integrity.

## Group Vision

Our goal is to always be the best customer service provider both at home and abroad.



# Governance

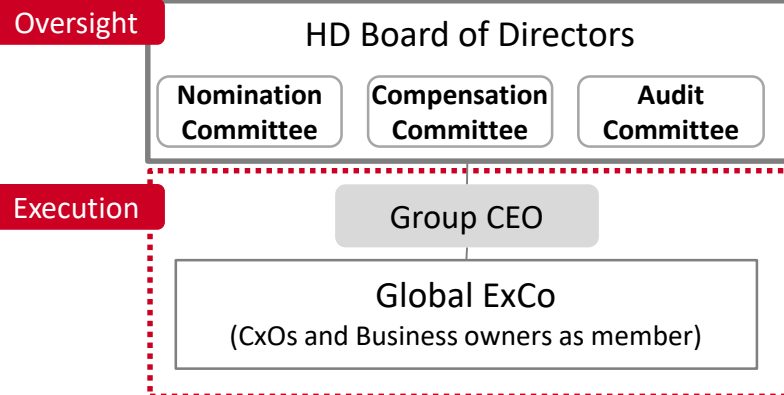
- ◆ Accelerate sustainable growth of the Group through the globalization of group management structure.
- ◆ Evolve the overseas governance structure to develop overseas insurance business.

## Governance structure of SOMPO Holdings

### More robust group governance structure

- Majority outside diversified directors (9 out of 12 directors will be outside directors.)
- Shift to company with committees
- Diversify group management and utilize human resource globally

### Company with committees

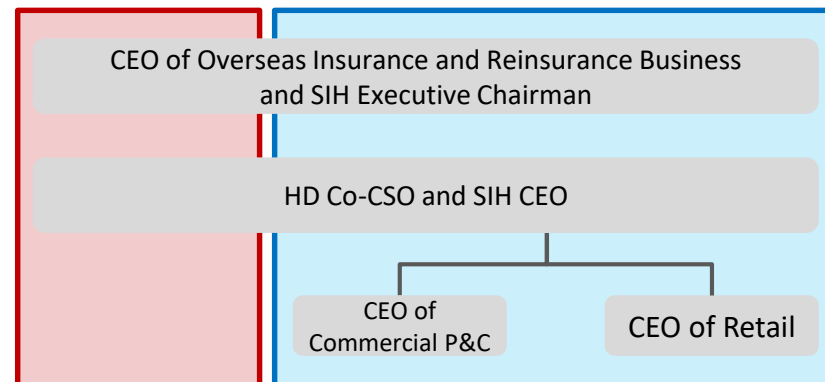


### Enhance the overseas governance structure

- Enhance the efficiency of governance further (Out of 5 directors of SIH, SOMPO Holdings sends 3 directors.)
- CEO of Overseas Insurance and Reinsurance Business supported by SI CEO, CEO of SI Retail and Commercial.
- Accelerate growth with accumulating diversified expertise.

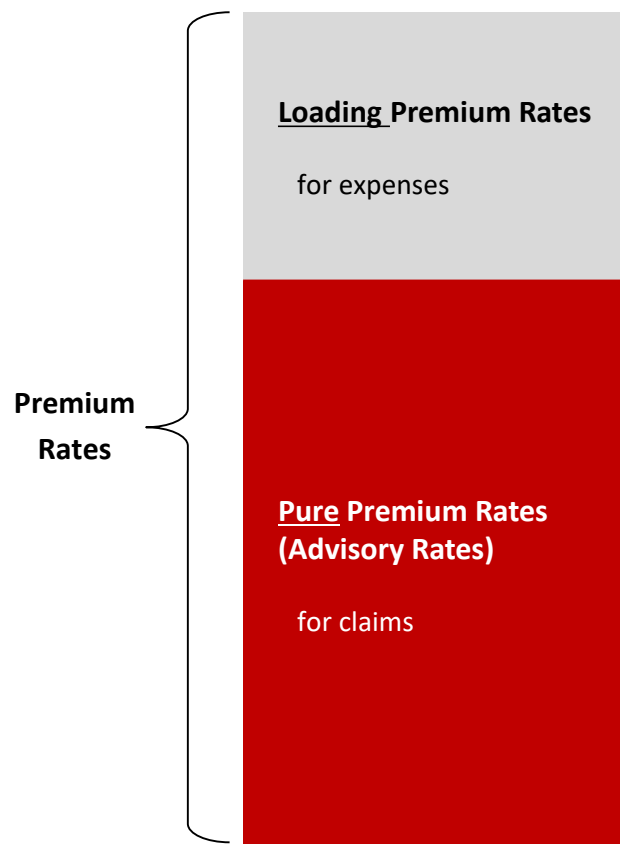
### SOMPO HD

### Sompo International



# (Domestic P&C) Advisory Rating System in Japan

- ◆ Advisory rates are pure premium calculated based on a wide range of statistics, and member insurance companies\*<sup>1</sup> refer them when calculating their own premiums.
- ◆ The advisory rating system functions as a profit stabilizer.



## Advisory Pure Premium Rates

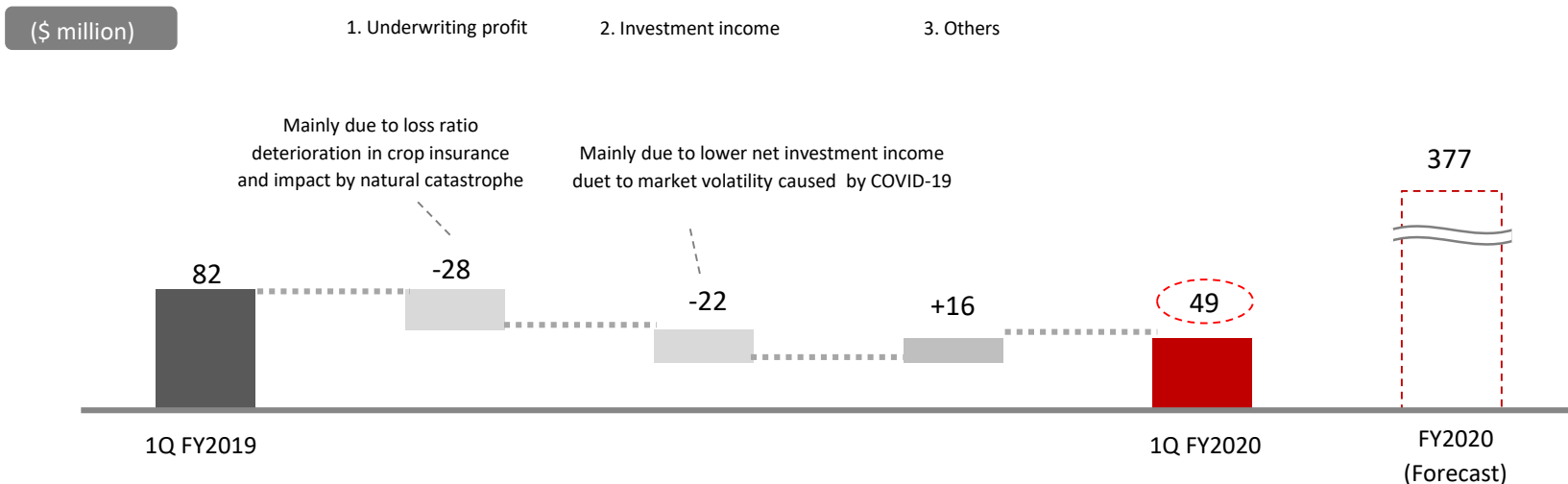
- Calculated for: fire insurance, personal accident insurance, automobile insurance, etc.
- Calculated by the GIROJ.\*<sup>2</sup>
- The GIROJ collects large quantities of data from member insurance companies.
- The GIROJ uses statistical approach to calculate the advisory pure premium rates and present it to member insurance companies.
- **Member insurance companies can use the advisory pure premium rates with respect to the pure premium rates as a basis of calculating their own premium rates.**
- The GIROJ annually reviews whether the current advisory pure premium rates are at an appropriate level and reports the result to FSA. If they are judged to be inappropriate, the advisory rates are promptly recalculated.

\*1 Member companies of the General Insurance Association of Japan

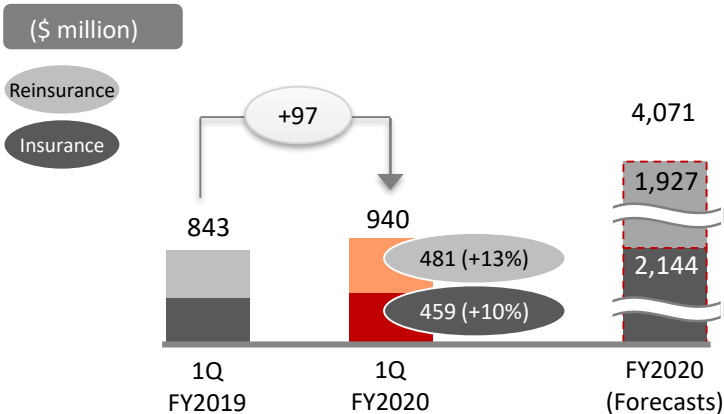
\*2 General Insurance Rating Organization of Japan

# (Overseas Insurance) Overview of Business Results of SI

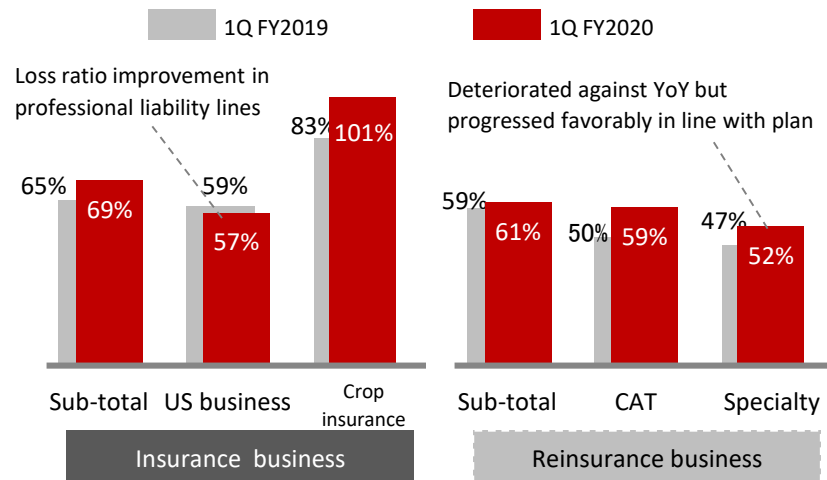
## Change factors of adjusted profit (1Q FY2020)



## Net premiums earned



## Loss ratio (Main lines of business)



## Overview of 1Q FY2020 Results and Business Forecasts for FY2020 – Consolidated Basis

(Billions of yen)	1Q FY2020		FY2020	
	Actual	Change	Forecasts	Change (against FY2019)
Consolidated ordinary income	1039.0	+22.3 (+2.2%)	-	-
Net premiums written (P&C)	820.0	+25.6 (+3.2%)	2,860.0	+34.5 (+1.2%)
Life insurance premiums	80.8	-2.0 (-2.5%)	358.5	+2.4 (+0.7%)
Consolidated ordinary profit	68.2	+25.3	223.0	+30.5
Sompo Japan	57.6	+28.8	210.0	+27.6
Overseas subsidiaries	-16.4	-46.3	60.1	-27.7
Himawari Life	7.3	+0.4	24.6	-0.8
Nursing care and healthcare <sup>*1</sup>	2.4	+0.6	10.4	+0.3
Consolidated adjustment <sup>*2</sup> /others	17.1	+41.6	-82.3	+31.2
Consolidated net income <sup>*3</sup>	47.3	+16.7	150.0	+27.4
Sompo Japan	41.5	+20.3	156.0	+25.4
Overseas subsidiaries	-15.5	-41.3	48.9	-26.3
Himawari Life	5.1	+0.3	17.0	+0.4
Nursing care and healthcare	0.4	-0.6	6.4	+0.2
Consolidated adjustment <sup>*2</sup> /others	15.6	+38.0	-78.3	+27.8
<b>(Reference) Adjusted consolidated profit</b>	<b>71.2</b>	<b>+16.2</b>	<b>187.0</b>	<b>+36.1</b>
Domestic P&C insurance	53.8	+20.4	96.5	+35.6
Overseas insurance	9.2	-2.9	51.0	+0.8
Domestic life insurance	7.9	-0.3	32.5	+0.4
Nursing care & healthcare, etc.	0.2	-0.8	7.0	-0.7

\*1 Nursing care and healthcare is sum of SOMPO Care and SOMPO health support.

\*2 Incl. profits and losses of consolidated companies other than the above and adjustments due to consolidation adjustments, etc.

\*3 Consolidated net income denotes net income (loss) attributable to shareholders of the parent. (The same shall apply hereafter.)

# Overview of 1Q FY2020 Results and Business Forecasts for FY2020 – Businesses (1)

Sompo Japan

(Billions of yen)	1Q FY2020		FY2020	
	Actual	Change	Forecasts	Change (against FY2019)
Net premiums written	551.3	-12.3 (-2.2%)	2,173.5	-11.2 (-0.5%)
(excl. CALI, household earthquake)	489.6	-7.3 (-1.5%)	1,943.1	+39.3 (+2.1%)
Net premiums earned (excl. CALI, household earthquake)	459.9	-0.0 (-0.0%)	1,925.0	+51.1 (+2.7%)
E/I loss ratio (excl. CALI, household earthquake)	52.1%	-6.8pt	61.8%	-1.5pt
W/P loss ratio	54.5%	-2.6pt	64.1%	-0.8pt
(excl. CALI, household earthquake)	51.4%	-3.0pt	61.0%	-2.4pt
Net expense ratio	32.9%	+1.3pt	32.8%	+0.4pt
(excl. CALI, household earthquake)	33.8%	+1.1pt	33.5%	-0.3pt
Combined ratio (W/P) (excl. CALI, household earthquake)	85.1%	-1.9pt	94.6%	-2.8pt
(Reference) Combined ratio (E/I)* (excl. CALI, household earthquake)	85.9%	-5.8pt	95.3%	-1.8pt
Underwriting profit	38.0	+33.4	83.0	+39.8 (+92.5%)
Investment profit	25.2	-5.0	140.0	-10.8 (-7.2%)
Ordinary profit	57.6	+28.8	210.0	+27.6 (+15.1%)
Net income	41.5	+20.3	156.0	+25.4 (+19.5%)
Adjusted profit	53.4	+19.4	98.6	+34.4 (+53.8%)

\* Sum of E/I loss ratio and net expense ratio

## Overview of 1Q FY2020 Results and Business Forecasts for FY2020 – Businesses (2)

IS

(\$ million)	1Q FY2020		FY2020	
	Actual	Change	Forecasts	Change (against FY2019)
Gross premiums written	3,062	+495	7,111	+323
Net premiums written	1,989	+385	4,363	+442
Net premiums earned	940	+97	4,071	+467
Net losses and loss expenses	609	+87	2,550	+178
Expense	288	+9	1,234	+138
Loss ratio*	64.8%	+2.9pt	62.6%	-3.2pt
Expense ratio*	30.7%	-2.4pt	30.3%	-0.1pt
Combined ratio*	95.4%	+0.5pt	93.0%	-3.3pt
Underwriting income	10	-28	295	+152
Net investment income	63	-22	230	-70
Other income	-232	-346	-71	-249
Net income	-146	-353	377	-176
Adjusted profit	49	-33	377	+57

\* The denominator of loss ratio, expense ratio and combined ratio is net premiums earned.

## Overview of 1Q FY2020 Results and Business Forecasts for FY2020 – Businesses (3)

### Himawari Life

(Billions of yen)	1Q FY2020		FY2020	
	Actual	Change	Forecasts	Change (against FY2019)
Annualized new premium	4.2	-1.2	31.0	+6.0
Premium and other income	104.6	-1.1	453.6	+7.0
Investment profit (general account)	10.9	-0.0	47.0	-0.7
Ordinary profit	8.2	+0.3	27.5	-0.8
Net income	5.1	+0.3	17.0	+0.4
Adjusted profit	7.9	-0.3	32.5	+0.4

### Sompo Care

(Billions of yen)	1Q FY2020		FY2020	
	Actual	Change	Forecasts	Change (against FY2019)
Sales	32.4	+1.0	132.5	+4.0
Occupancy rate	91.0%	-0.2pt	93.0%	+1.4pt
Net income	0.5	-0.5	6.3	+0.0

## **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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