

**SOMPO Holdings “ New Mid-Term Management Plan(FY2016 to FY2020)”**  
**-Build a “Theme park for the security, health and wellbeing of customers”-**

SOMPO Japan Nipponkoa Holdings, Inc. (President & CEO: Kengo Sakurada, “SOMPO Holdings”) has formulated a new Mid-Term Management Plan to serve as its growth strategy for realizing the Group Management Philosophy aimed at contributing to the security, health and wellbeing of its customers and society as a whole by providing insurance and related services of the highest quality possible.

### 1. Review of the previous Mid-Term Management Plan

The final fiscal year of the previous Mid-Term Management Plan was FY2015. Under this plan, SOMPO Holdings has steadily achieved its goal of building a sustainable growth cycle by proactively shifting business resources to growth fields, beginning with improving its earnings capabilities in the domestic P&C insurance business.

Domestic P&C insurance business	<ul style="list-style-type: none"> <li>▪ Completed the merger of Sompo Japan and Nipponkoa</li> <li>▪ Realized merger synergies</li> <li>▪ Improved profitability of automobile insurance</li> </ul>
Domestic life insurance business	<ul style="list-style-type: none"> <li>▪ Enhanced steadily corporate value by focusing on highly profitable protect-type products</li> <li>▪ Launched forward-looking initiatives such as internet sales of life insurance and utilizing wearable device</li> </ul>
Overseas insurance business	<ul style="list-style-type: none"> <li>▪ Grew by overseas M&amp;A (Sompo Canopus)</li> <li>▪ Acquired and sophisticated know-how of PMI(Post merger Integration)</li> <li>▪ Grew faster than market average mainly in emerging countries</li> </ul>
Financial and other services	<ul style="list-style-type: none"> <li>▪ Strengthened and expanded business domains beyond the boundaries of the insurance (Entering in earnest nursing care , Home remodeling etc.)</li> </ul>

### 2. Changes in the environment surrounding the Group

The environment surrounding the Group is expected to experience disruptive and drastic changes, including Japan’s declining population and rapid aging of society, as well as major natural disasters becoming the norm, along with an exponential innovation of digital technologies and related changes in customer behavior. In this environment, the very “rules of the game” that have been in force until now could become obsolete. In order to achieve sustainable growth, the SOMPO Holdings must identify these changes as quickly as possible, and address them flexibly and rapidly.

### 3. Key points for New Mid-term Management Plan

Under the new Mid-Term Management Plan, SOMPO Holdings will seek to evolve into a Group that is able to respond firmly and rapidly to disruptive changes in the environment, based on the growth cycle achieved in the previous Mid-Term Management Plan. Aiming to contribute to society by realizing its Group Management Philosophy, SOMPO Holdings will achieve a structural transformation into the best customer service provider based on the theme of “security, health and wellbeing.” At the same time, the Group will steer a course to establish a position where it is able to compete effectively against global players. This will mark a major turning point for a Group that has focused on the insurance business for more than 120 years. Accordingly, while retaining flexibility in view of changes in the environment, the new Mid-Term Management Plan period has been

established for the five years from fiscal 2016 to fiscal 2020. During this period, SOMPO Holdings will steadily transform its corporate culture, decision-making and business execution processes.

Upon the start of the new Mid-Term Management Plan, we will change the name of the Group's holding company to SOMPO Holdings, Inc. on October 1, 2016 and further strengthen the "SOMPO" brand in terms of its focus on "security, health, and wellbeing."

**(1) Our vision under New Mid-term Management Plan -Build a "Theme park for the security, health and wellbeing of customers"-**

"Innovation for Wellbeing" has been adopted as the Group's brand slogan. Under this slogan, the Group has positioned insurance at the heart of its business model, even as it has advanced into a more expansive range of business domains such as the nursing care service and home remodeling business fields.

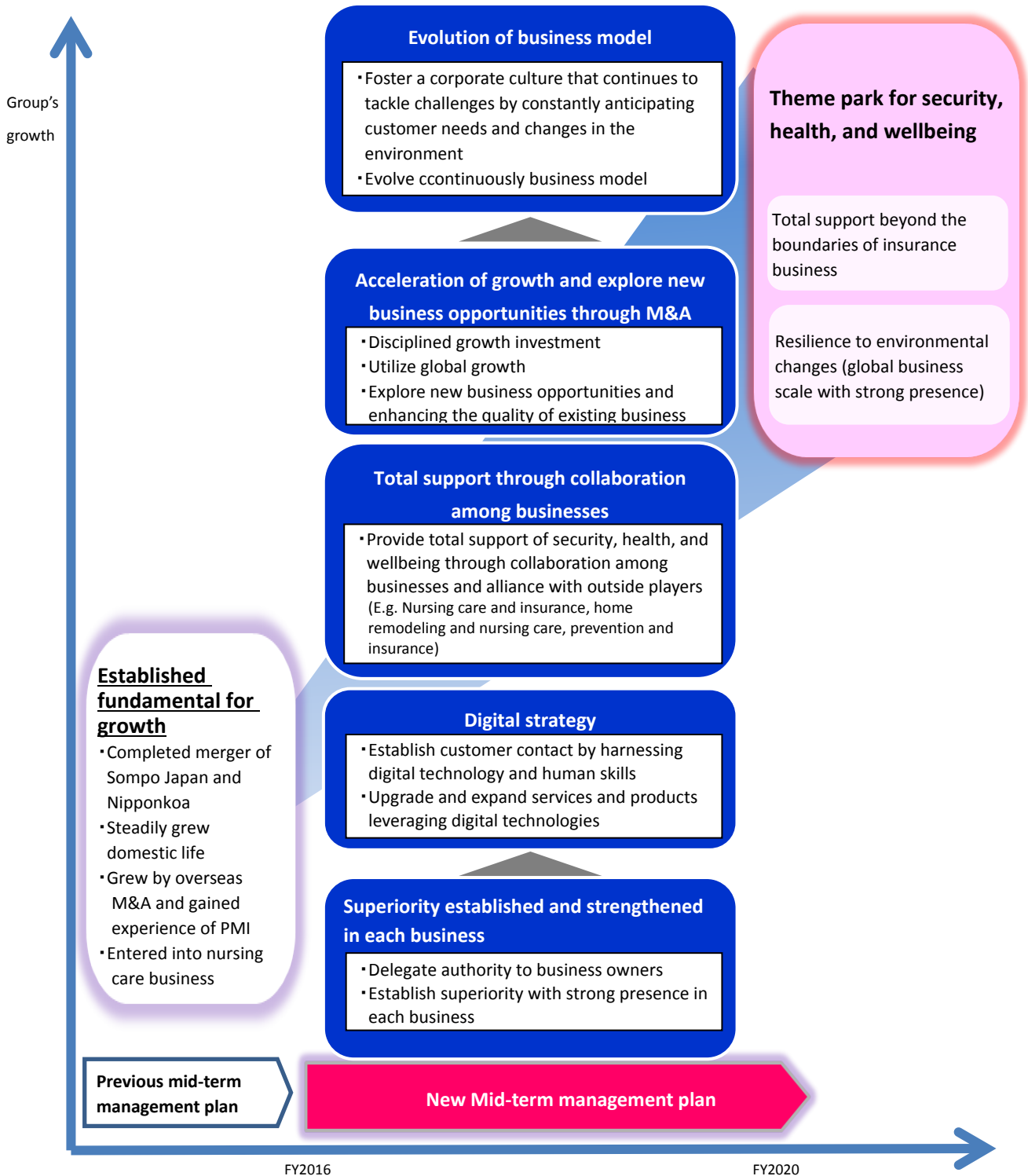
Under the new Mid-Term Management Plan, the Group will evolve and enhance its respective businesses and services in various fields so as to transform them into attractions with appealing features. This will be done by exploring new business opportunities, enhancing the quality of existing businesses, and expanding service domains along with fostering collaboration among businesses. In parallel, the Group will harness digital technologies to upgrade and expand its customer contact, in addition to providing services that are focused on customers through people. Through these measures, the Group will comprehensively support the security, health and wellbeing of customers across an expansive range of life stages and also in daily life. The goal is to evolve into "a theme park for the security, health and wellbeing of customers" that brings happiness into their lives.



Evolving from "a SOMPO Holdings that is helpful when the unexpected happens" to  
**"a SOMPO Holdings that brings happiness into customers' lives"**

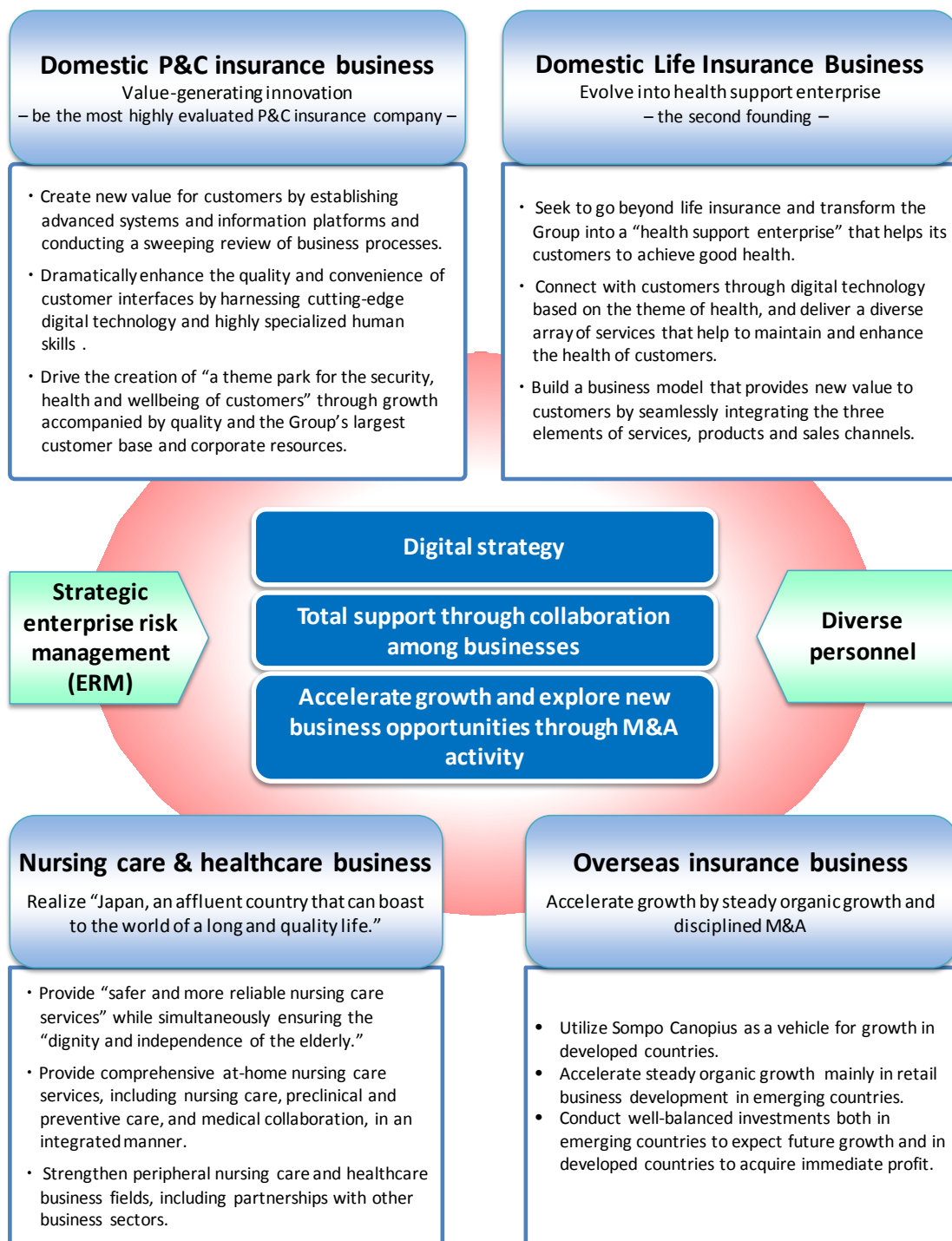
## (2) Strategy to realize our vision

First, we will rigorously enhance the appeal of each business, in conjunction with implementing measures such as upgrading and expanding services leveraging digital technologies, strengthening our customer contact, and forming partnerships among businesses. To provide customers with high-quality services at an even earlier stage, we will actively work to form partnerships with major players, and accelerate growth and explore new business opportunities through M&A activity. Through these and other actions, we will continuously refine our total services for customers in anticipation of changes in our customer base, with the aim of building and evolving “a theme park for the security, health and wellbeing of customers.”



#### 4. Initiatives for building “a theme park for the security, health and wellbeing of customers” in each business

In the businesses that will serve as the attractions of our “theme park for the security, health and wellbeing of customers,” we will delegate authority to four business owners. Under this framework, growth strategies will be executed speedily in line with the growth phase of each business. In parallel, we aim to drive the Group’s growth primarily through our digital strategies, total support through collaboration among businesses and alliance with outside players, and M&A activity. In the course of executing the plan, we will adopt strategic enterprise risk management (ERM) as the foundation of the Group’s management as we work to ensure financial soundness and optimal resource allocation. Another priority is to secure and nurture diverse personnel by promoting diversity. This will help us to identify changes in the operating environment as early as possible, and promptly implement measures to address them.



## 5. Group Numerical Management Targets

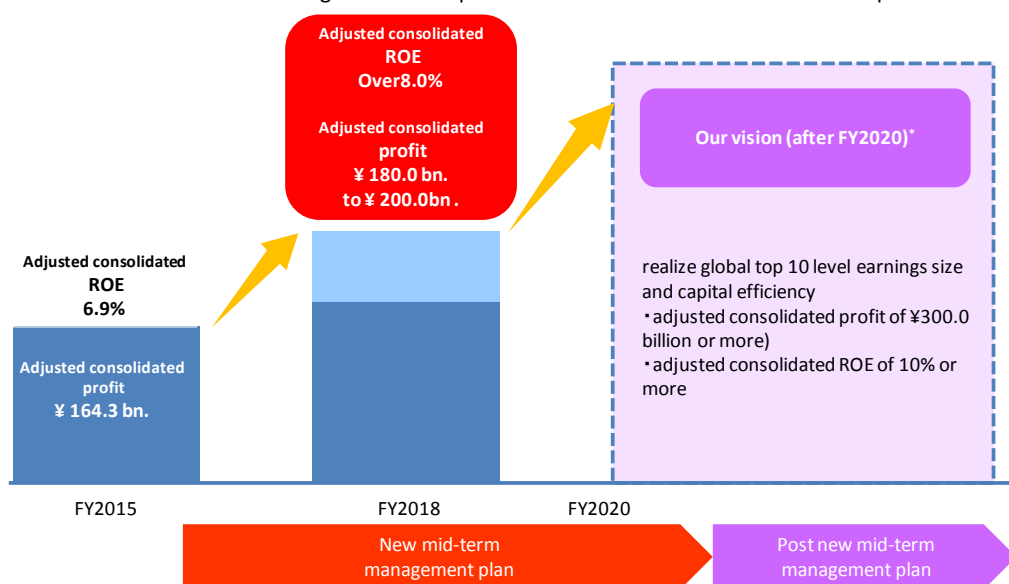
- In the future, we aim to execute the new Medium-Term Management Plan to attain a business scale (adjusted consolidated profit of ¥300.0 billion or more) and capital efficiency (adjusted consolidated ROE of 10% or more) on par with the top 10 global publicly listed insurance companies.
- We will set ranges for our quantitative management targets for FY2018, the midway point of the new Medium-Term Management Plan. Looking beyond the growth of various business departments, we will make steady strides to realize our future aspirations for the Group by pushing ahead with M&A activity, new business models driven by digital strategies, and cooperation between businesses.

\*In new mid-term management plan, we changed the definition of adjusted consolidated profit and adjusted consolidated ROE for domestic life insurance business. See next page in detail.

### 【Group Numerical Management Targets in new mid-term management plan】

(Billions of yen)	FY2015 (Actual)	FY2016 (Forecast)	FY2018 (Plan)
Adjusted consolidated profit	164.3	160.0	180.0 – 220.0
Adjusted consolidated ROE	6.9%	6.8%	Over 8%

Targets in FY2018 are calculated assuming that consumption tax rate is raised from 8% to 10% in April 2017.



(Reference) Group Numerical Management Targets based on previous standards of previous mid-term management plan

(Billions of yen)	FY2015 (Actual)	FY2016 (Forecast)	FY2018 (Plan)
Adjusted consolidated profit	215.5	197.0	220.0 – 260.0
Adjusted consolidated ROE	7.8%	7.4%	Over 8%

(Reference) Group Numerical Management Targets (J-GAAP)

(Billions of yen)	FY2015 (Actual)	FY2016 (Forecast)	FY2018 (Plan)
Net income	159.5	140.0	160.0 – 180.0
ROE	9.2%	8.4%	Over 10%

## [New Group Numerical Management indicator in new mid-term management plan]

- In previous mid-term management plan, we have been utilizing adjusted consolidated profit as Group Numerical Management indicator to evaluate capital efficiency and shareholder return.
- Growth in embedded value (EV) has been Group Numerical Management indicator for domestic life insurance business as adjusted consolidated profit.
- In new mid-term management plan, we changed the definition of adjusted consolidated profit and adjusted consolidated ROE for domestic life insurance business to improve transparency in the market and comparability with global players and to consider introduction of IFRS in the future .

		New mid-term management plan	(Reference) Previous plan
Adjusted profit for each business	Domestic P&C insurance*1	Net income + Provisions for catastrophic loss reserve (after tax) + Provisions for reserve for price fluctuation (after tax) – Gains/losses on sales of securities and impairment losses on securities (after tax) – Special factors (e.g. dividend from subsidiaries)	Net income + Provisions for catastrophic loss reserve (after tax) + Provisions for reserve for price fluctuation (after tax) – Gains/losses on sales of securities and impairment losses on securities (after tax) – Special factors
	Domestic life insurance <span style="background-color: red; color: white; padding: 2px;">Change</span>	Net income + Provision of capital reserve (after tax) + Adjustment of underwriting reserve (after tax) + Deferral of acquisition cost (after tax) – Depreciation of acquisition cost (after tax)	Growth in embedded value (EV) – Capital transactions such as equity issuance – Changes in EV attributable to fluctuation of interest rates, etc.
	Nursing care & healthcare, etc.	Net income	Net income
	Overseas insurance <span style="background-color: red; color: white; padding: 2px;">Change</span>	Net income (incl. major non-consolidated subsidiaries)	Net income (excl. non-consolidated subsidiaries)
Adjusted consolidated profit		Total of above adjusted profits	Total of above adjusted profits
Adjusted consolidated net assets	<span style="background-color: red; color: white; padding: 2px;">Change</span>	Consolidated net assets (excluding life insurance subsidiary's net assets) + Catastrophic loss reserve in domestic P&C insurance (after tax) + Reserve for price fluctuation in domestic P&C insurance (after tax) + Domestic life insurance adjusted net assets*2	Consolidated net assets (excluding life insurance subsidiary's net assets) + Catastrophic loss reserve in domestic P&C insurance (after tax) + Reserve for price fluctuation in domestic P&C insurance (after tax) + Life insurance subsidiary's EV
		Adjusted consolidated profit / Adjusted consolidated net assets * The denominator is the average balance at the end/start of each fiscal year.	Adjusted consolidated profit / Adjusted consolidated net assets * The denominator is the average balance at the end/start of each fiscal year.

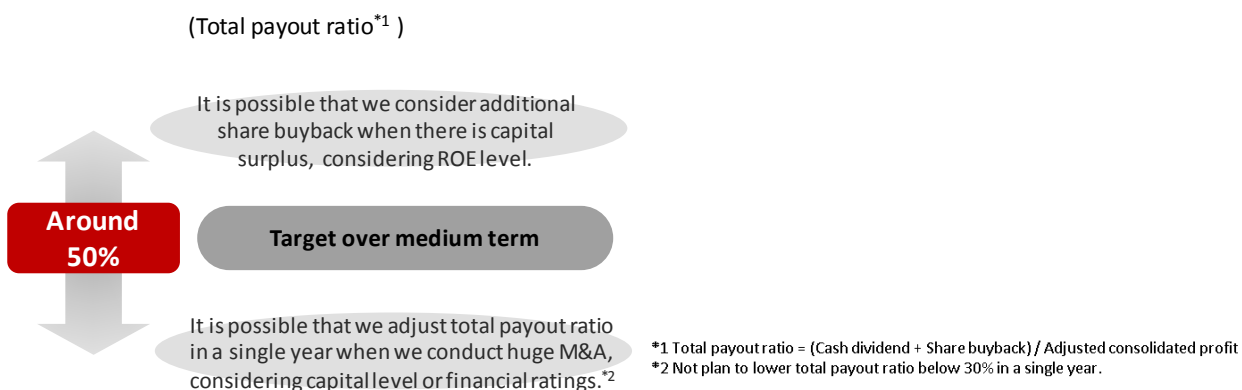
\*1 Total of Sampo Japan Nipponkoa, Saison Automobile & Fire, Sonpo 24, Sampo Japan Nipponkoa Insurance Services, and DC Securities

\*2 Domestic life insurance net assets = Net assets (J-GAAP, after tax) + Contingency reserve (after tax) + Reserve for price fluctuation (after tax) + Adjustment of underwriting reserve (after tax) + Non-depreciated acquisition cost (after tax)

In FY2015, net assets (J-GAAP) is ¥153.6 billion, MCEV is ¥700.0 billion, and adjusted net assets is ¥378.3 billion.

## Shareholder return policy

Adjusted profit of domestic life insurance business is newly included in fund for shareholder return. We aim at attractive shareholder return through stable dividend and flexible share buyback, taking into account dividend yield or DPS (Dividends Per Share) growth.



## Key Points of New Mid-term Management Plan

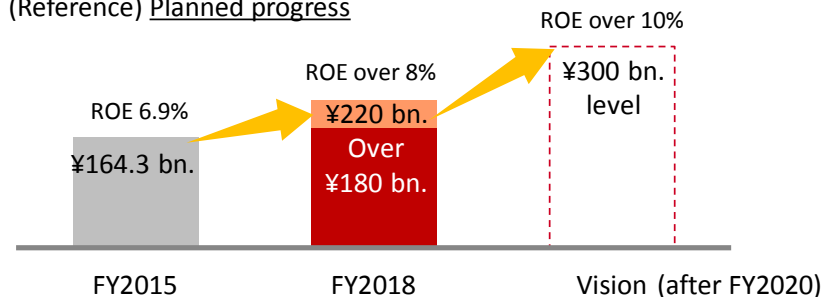


- ◆ In the plan, we embody our management philosophy to provide the highest quality services that contribute to our customers' security, health, and wellbeing.
- ◆ We establish the new plan period for 5 years to FY2020, and aim to increase earnings and steadily improve ROE further.

### Targets of new mid-term management plan

	Targets in FY2018	Our vision (after FY2020)
Adjusted consolidated profit	¥180 to 220 billion	World's top 10 level (¥300 billion level)
Adjusted consolidated ROE	Over 8%	Over 10%
Shareholder return	Enhance shareholder return in accordance with growth in adjusted consolidated profit and EPS.	

(Reference) Planned progress

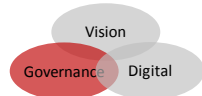


Targets in FY2018 are calculated assuming that consumption tax rate is raised from 8% to 10% in April 2017.

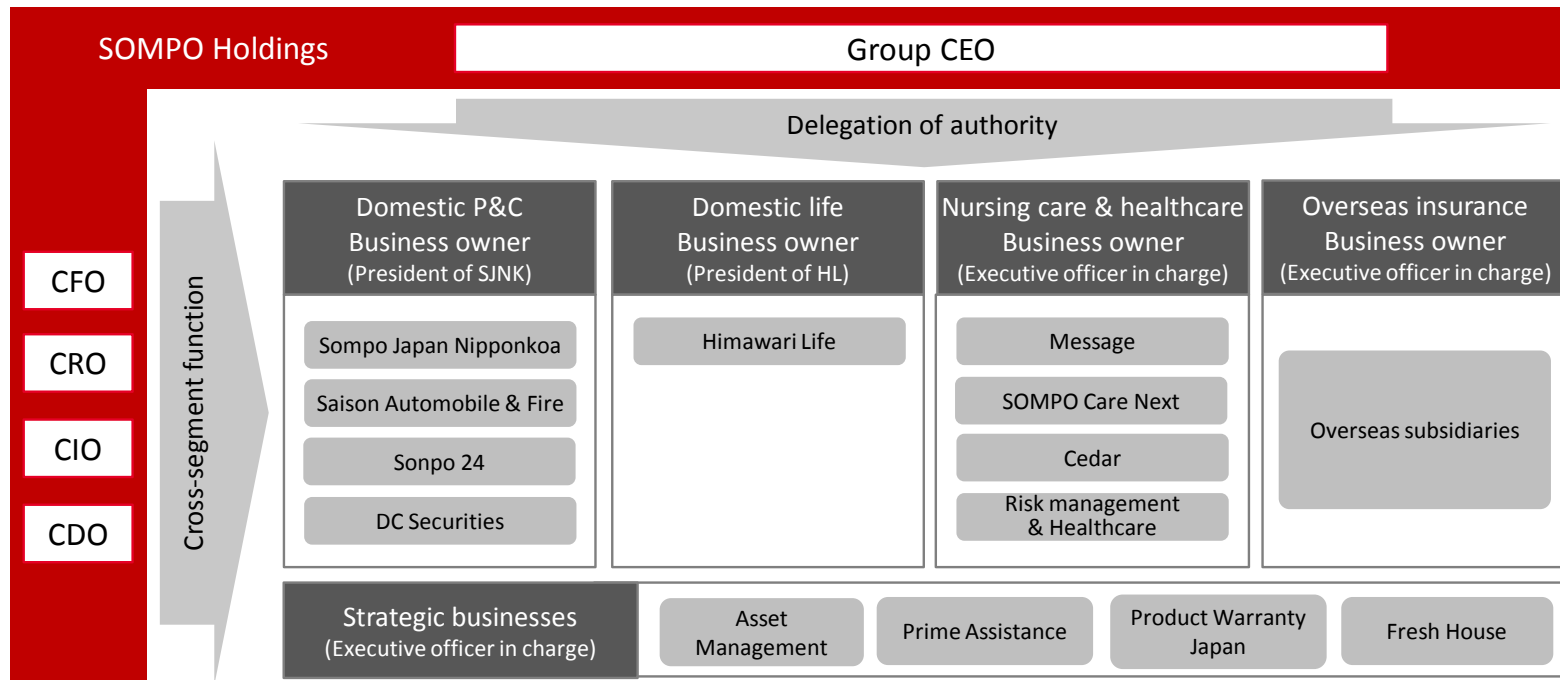
# Group Governance



- ◆ Speed up management further by delegating authority to the utmost.
- ◆ Establish robust and agile management system, and maximize possibility to achieve the management plan in the changing environment.



## Introduction of business owner system



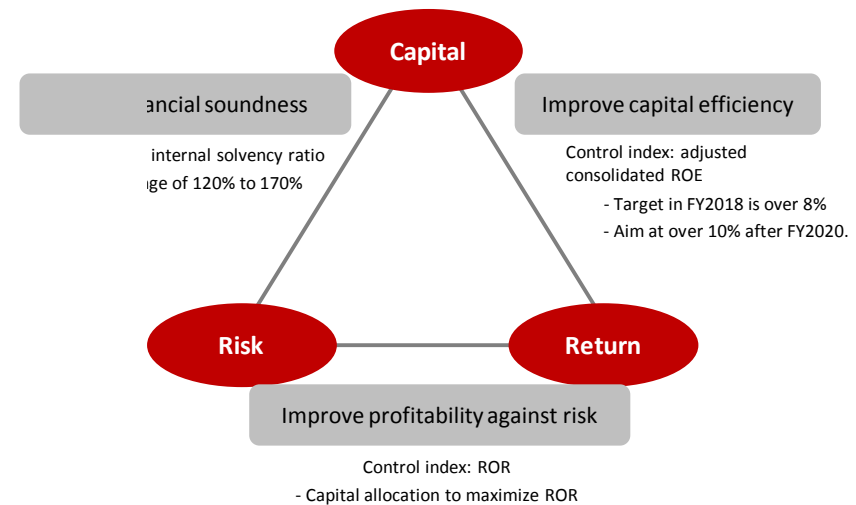
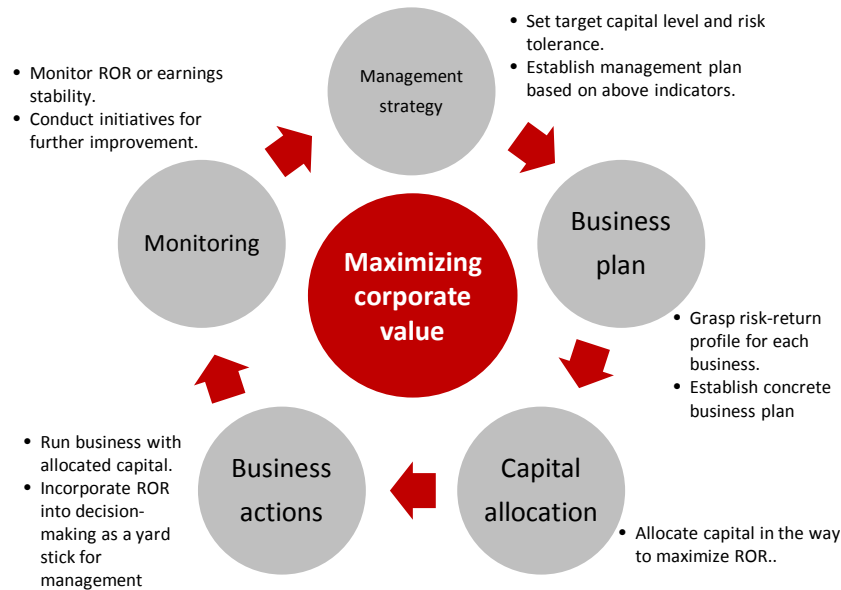


## ERM (Strategic Risk Management)



- ◆ Maximize corporate value and shareholder value by thorough strategic risk management.
- ◆ Aim to keep robust financial soundness and improve capital efficiency (ROE) by controlling balance among capital, risk, and return.

### Management cycle of ERM



#### Risk Appetite Principles

- (1) Become a globally competitive group while controlling the balance among capital, return and risk appropriately, and maximizing corporate value by improving capital efficiency.
- (2) Gain greater profit by taking risks aggressively via growth fields such as Domestic life insurance business, Nursing care & healthcare business and Overseas Insurance business in addition to improving profitability of Domestic P&C insurance business.
- (3) Retain competitiveness among global insurers by maintaining financial soundness with a target credit rating of AA.
- (4) Maintain the stable return, and target adjusted consolidated profit from ¥180.0 to ¥220.0 billion and adjusted consolidated ROE of over 8% in FY2018 to ensure group's sustainable growth.

# Business Strategy for Domestic P&C Insurance Business



◆ Expand size of earnings by drastically improving business efficiency and developing services thoroughly from customers' perspective.

### Key points

Contribute to group strategy by generating stable funds for growth and utilizing the largest customer base in the group.

**Global top level business efficiency**

- Evolving into cost structure competitive on global basis by reforming business process and system infrastructure (future innovation project).
- Aim at below 30% of net expense ratio in the future.

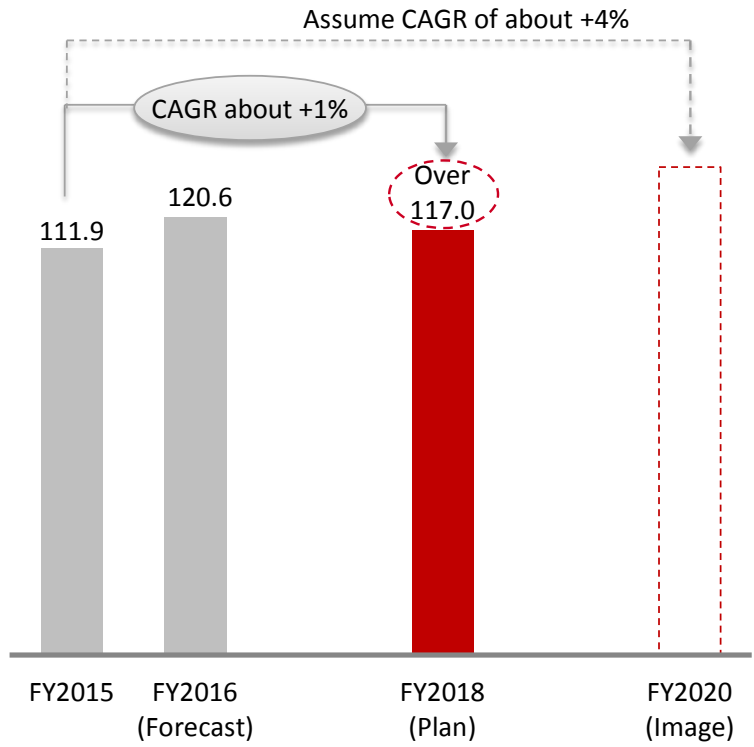
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- Keep expanding top-line and bottom-line by developing products and services thoroughly from customers' perspective.
- Plan combined ratio of 93 to 94% level.

**Growth accompanying quality**

### Plan for adjusted profit

(Billions of yen)



# Business Strategy for Domestic Life Insurance Business



◆ Position FY2016 as our second founding, we transform ourselves into a health support enterprise as the most innovative life insurance company.

## Key points

Evolve into the new business model focusing on customers' health, and contribute to group strategy by steadily increasing the number of customers.

### New growth strategy

- **Product** : Launch products satisfying customers
- **Service** : Provide health-support services
- **Channel** : Enhance hybrid channel\*



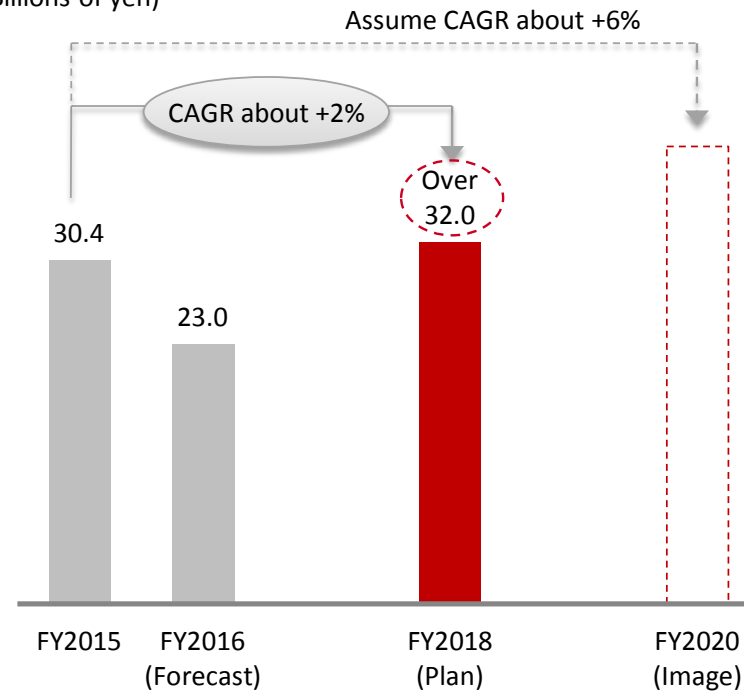
- Product strategy focusing on highly profitable protection-type products
- Channel strategy utilizing P&C agency network

### Strengths of Himawari Life

\* High-quality life insurance sales representatives follow up customers enrolling in insurance online.

## Plan for adjusted profit

(Billions of yen)



## Business Strategy for Nursing Care & Healthcare Business, etc.



◆ Realize “Japan, an affluent country that can boast to the world of a long and quality life” by providing comprehensive nursing care & healthcare services that satisfy needs of the elderly.

### Key points

Contribute to group strategy as a new business pillar by utilizing ICT and digital technologies, and reshaping the industry through collaboration of insurance and nursing care.

#### Nursing care & healthcare business

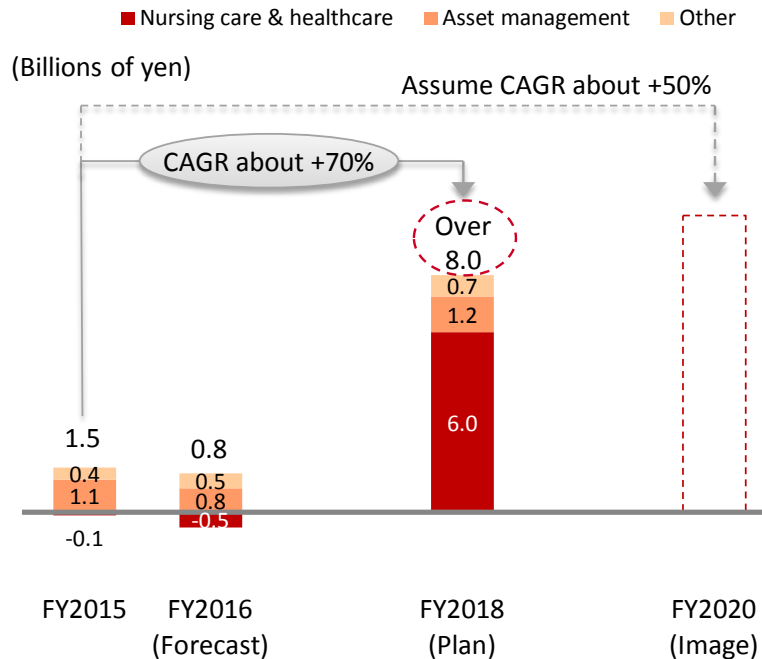
- Establish business base by strengthening internal control system.
- Improve productivity and quality by utilizing ICT or enhancing training.
- Enhance at-home nursing care service and strengthen functions.



- Strengthen and expand business domains beyond the boundaries of insurance.
- Focus rigorously on continuously providing services of the highest quality through alliance with major players and collaboration among businesses.

#### Other businesses

### Plan for adjusted profit



# Business Strategy for Overseas Insurance Business

◆ Aim at organic growth faster than market average, and drastic expansion through disciplined M&A.

## Key points

Contribute to group strategy by growing organically and pursuing certain level of scale through external growth.

### Steady organic growth

- Developed countries    Utilize Sompo Canopus as a vehicle for growth.
- Emerging countries    Grow faster than market average.

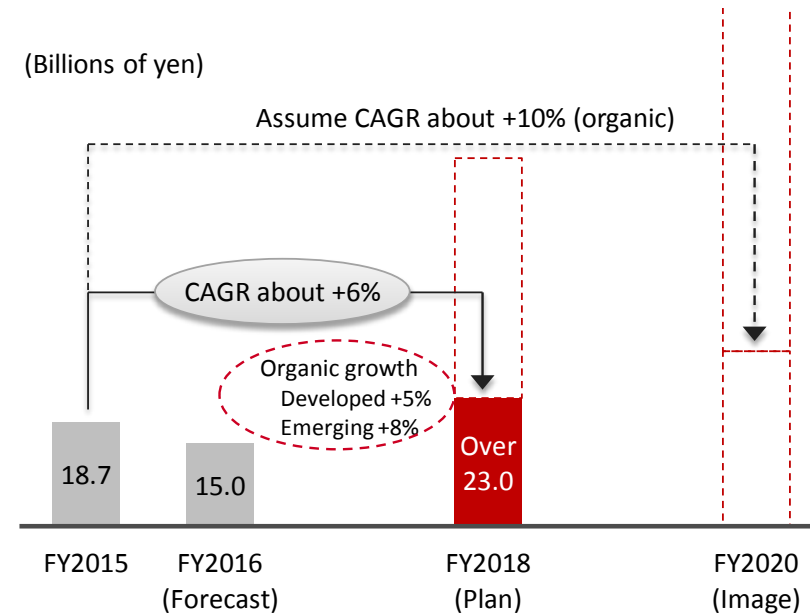


- Conduct well-balanced investments both in emerging countries to expect future growth and in developed countries to acquire immediate profit.
- Scrutinize each deal in terms of valuation, possibility of PMI, and affinity of corporate culture.

### Accelerated growth via disciplined M&A

## Plan for adjusted profit

(Billions of yen)



\* Adjusted special factor in FY2015 (+ about ¥1.7 billion in SJ America in accordance with restructuring of shareholders of invested company).

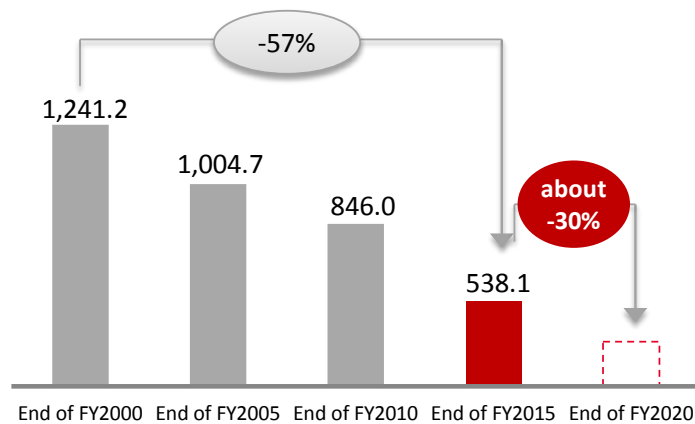
## Reduction of Strategic-holding Stocks

- ◆ By reducing strategic-holding stocks, enhance quality of capital, and improve capital efficiency by utilizing released capital for growth investments, etc.

### Plan for reduction of strategic-holding stocks

**Around ¥100 billion (fair value basis)**

(Reference) Balance of strategic-holding stocks on book value (billions of yen)

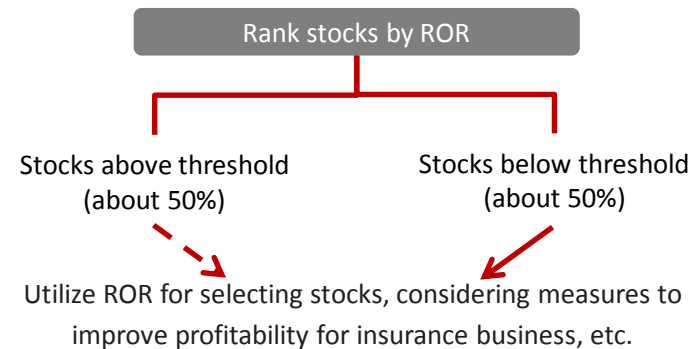


### Disclosure based on Corporate Governance Code

We plan to keep reducing strategic-holding stocks.

- Discuss on the Board of Directors meetings about holding strategic-holding stocks, based on economic rationality, etc.
- Allocate a part of capital surplus released by reduction of strategic-holding stocks to growth business investments to improve financial soundness and capital efficiency.

(Reference) Image to utilize ROR indicator



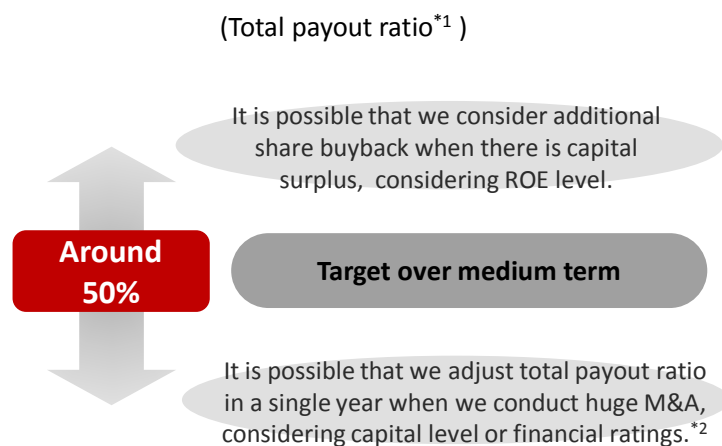
\* As for ROR calculation, numerator (return) is the sum of dividend income of strategic-holding stocks (excluding investment expense) and net underwriting results of insurance business. Denominator (risk) is the sum of risks of stock price change and insurance risk.

## Shareholder Return

- ◆ Based on growth of adjusted consolidated profit, plan to increase total shareholder return (cash dividend and share buyback).
- ◆ Adjusted profit of domestic life insurance business is newly included in fund for shareholder return, and target of total payout ratio over medium term is 50%.

### Shareholder return policy

Aim at attractive shareholder return through stable dividend and flexible share buyback, taking into account dividend yield or DPS growth, etc.



\*1 Total payout ratio = (Cash dividend + Share buyback) / Adjusted consolidated profit  
 \*2 Not plan to lower total payout ratio below 30% in a single year.

### Total amount of shareholder return

