SOMPO HOLDINGS

A Theme Park for Security, Health & Wellbeing

Sompo Holdings Integrated Annual Report 2023



Sompo Holdings, Inc.

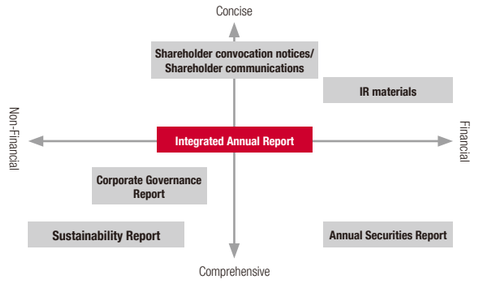
Editorial Policy

The Company prepared the Integrated Annual Report 2023 with reference to the International Integrated Reporting Framework*1 and METI's Guidance for Collaborative Value Creation*2. It provides an easy-to-understand explanation of our business model and the value we deliver to our stakeholders.

This report also serves as disclosure materials based on Article 271-25 of the Insurance Business Act and Article 210-10-2 of the Ordinance for Enforcement of the Insurance Business Act.

*1 An international corporate reporting framework maintained by the Value Reporting Foundation, which enables companies to tell their short-, medium-, and long-term value creation stories.

*2 Guidance developed by Japan's Ministry of Economy, Trade and Industry to encourage companies and investors to deepen mutual understanding through information disclosure and dialogue, thereby promoting collaborative value creation.





About the cover design

The design of the cover of this Integrated Annual Report 2023 was inspired by the "Value Creation Cycle," which serves as a common framework across the Sompo Group. The image, which shows My Purpose (which is unique for each employee) superimposed over SOMPO's Purpose, expresses SOMPO's unique story of providing a wide range of value to society.

Disclaimer

The information presented in this report includes future forecasts based mainly on the Sompo Group's management policies and plans.

They are based on information available at the time of publishing. Accordingly, actual earnings and activity plans may be affected by the future operating environment.

VALUE REPORTING FOUNDATION
INTEGRATED REPORTING FRAMEWORK

Environment Social Governance
Guidance for Collaborative Value Creation

We would like to deeply apologize to our customers, shareholders, agents, business partners, and all other stakeholders, for the compliance issues that have surfaced, including employee involvement in the practice of adjusting premiums at our subsidiary, Sompo Japan Insurance, and fraudulent insurance claims by used car dealerships that act as insurance agencies for Sompo Japan Insurance. We understand the significant inconvenience and concerns this has caused.

As a Group with insurance as its mainstay business that depends upon the trust of society, we take the current situation very seriously. We have established an investigative committee comprising external lawyers and the like and we are making every effort to fully clarify the situation. We are committed to ascertaining the facts and the true causes of these events and going forward the Group will work as one to regain the trust of all stakeholders.

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To create a society in which every person can live a healthy, prosperous and happy life in one's own way

We will never let this lofty ambition be dismissed as a mere pipe dream.

In these uncertain times, the one thing that we rely upon is the thoughts and feelings that are in the heart of every one of us.

SOMPO strives to evolve into a powerful organization where every employee respects one another and works with a sense of fulfillment and happiness by facing each employee's thoughts and feelings deeply.
When diverse values and thoughts intermingle and we are passionately motivated to take on a challenge, the "Value Creation Cycle" continues to expand and accelerate.
In this way, new innovations that make security, health & wellbeing possible will continue to be created.

The thoughts and feelings that are in the heart of every employee will make SOMPO's Purpose a reality

SOMPO's Purpose

With "A Theme Park for Security, Health & Wellbeing," create a society in which every person can live a healthy, prosperous and happy life in one's own way.

Social value delivered by SOMPO

- Protect people from future risks facing the society
- Create a future society for healthy and happy lives
- Foster the ability to change the future society with diverse talents and connections

SOMPO's unique purpose-driven management will make it indispensable.

Kengo Sakurada
Group CEO, Director, Chairman and Representative Executive Officer
Sompo Holdings, Inc.



Introduction

The world is undergoing VUCA (Volatility, Uncertainty, Complexity, and Ambiguity). Events unimaginable in the past have occurred in quick succession and with immense impact on our daily lives, from the normalization of extreme weather and severe natural catastrophes, to rapid advances in artificial intelligence (AI), the COVID-19 pandemic and soaring energy and resource prices due to Russia's invasion of Ukraine. In an increasingly chaotic world, we cannot predict the future even a few months ahead, let alone in a year's time.

All the more so because of the world we live in. Each person needs to think proactively, flexibly adapt to changes and overcome many challenges. There is no time to stop and think. Individuals with personal identity and organizations, a group of individuals, need to think about the ideal nation and society, and try to make innovation happen no matter small it may be to realize a society with high levels of happiness. I call this a "Society Co-Created by *Seikatsusha*" that would be realized by various stakeholders coming together.

This Japanese term "*Seikatsusha*" encompasses individuals in their multiple roles or experiences, from that of a family member, to being a consumer, a workers, member of organizations, and as one of a group of individuals. As members of a "Society Co-Created by *Seikatsusha*," firms need to broaden the diversity and talent in their organizations, and to drive even more innovation to create "happiness" in many facets for all stakeholders in society. I believe that a precondition for this is inclusion where a diversity of individuals are valued and respected, and that "purpose" forms the foundation of inclusion.

SOMPO's purpose-driven management

Purpose-driven management unique to SOMPO

SOMPO's Purpose is to "create a society in which every person can live a healthy, prosperous and happy life in one's own way with "A Theme Park for Security, Health & Wellbeing." It sets out the social challenges that SOMPO should address, values delivered by SOMPO to the society, and approach to fundamental needs and values of humans to "live in good security, health, and wellbeing." It also indicates the future direction, such as common goal and mission, of diverse businesses and employees of Sompo Group.

At SOMPO, we are working to put our unique "purpose-driven management" at the heart of our business management. This 'SOMPO style' is expressed in the diversity of our business segments and purpose-driven management. The Group's diverse business segments, including insurance, nursing care, and digital, work along a common "Theme Park" strategy, and coordinate and cooperate across business boundaries to deliver on SOMPO's Purpose. This initiative is driven by the intrinsic "My Purpose" of our individual employees and their diverse backgrounds, and is pushed ahead by unleashing their capabilities to the fullest. This is what I consider purpose-driven management that is unique to SOMPO. SOMPO aims to become a corporate group that creates various innovations to increase the happiness of multiple stakeholders by practicing purpose-driven management unique to SOMPO.

“My Purpose” as a driver

“My Purpose” represents the individual’s purpose of work and life, and is intrinsic to the individual’s experience and values. “My Purpose” expressed by Sompo Group employees is diverse, such as “to bring customers more smiles through insurance” (P&C insurance) and “to provide a place for making the best memories” (Nursing Care). By aligning “My Purpose” with SOMPO’s Purpose, individuals repeatedly take on new challenges driven by their intrinsic motives to realize common purpose. We continue to develop our corporate culture in this way.

Based on the belief that it is of utmost importance for executives to speak with own words and have dialogues with employees, I have been holding town hall meetings since 2021. I have discussed “My Purpose” with Sompo Group employees around the world (cumulative total of 25,000 people) and conveyed the objective of SOMPO’s unique purpose-driven management. Because SOMPO employees from diverse business segments, countries, and regions can inspire and energize each other through discussion of “My Purpose” and SOMPO’s Purpose, I will continue to actively hold these meetings as the leader of Sompo Group.

It is more important than anything else to expand new challenges on a group-wide basis to push through purpose-driven management unique to SOMPO. In 2022, we launched a new “SOMPO Award” for outstanding Sompo Group employees around the world. The Group-wide award scheme is aimed at changing corporate culture by encouraging employees to repeatedly take on challenges driven by My Purpose and to do so without fear of failure. Although it was the first year since the launch, nearly 1,000 excellent projects driven by My Purpose were submitted for consideration. These included a SOMPO-way children’s cafeteria by a team formed to “make it widely known that nursing care is a valuable and wonderful occupation.” Another was for development of a remote support service for people with vision impairment or blindness, and driven by the desire to “realize a society where every person feels excited.” The SOMPO Award provides a forum for Sompo Group employees to talk about own challenges driven by My Purpose and recognize each other for their efforts. I hope this would receive empathy and connect Sompo Group employees around the world, help expand the circle of new challenges, and accelerate innovation.



Developing Unrealized Financial Value into enterprise value

Enhancing Unrealized Financial Value

Efforts that form the basis of purpose-driven management, are termed “non-financial” initiatives. These efforts do not directly increase financial value, but aim to raise financial value and enterprise value in the mid- to long-term. In terms of the social value created by firms, stakeholders expect firms to work on addressing greater social challenges and deliver value. This is exactly why firms exist. The firm needs to communicate eloquently, based on evidence, about how to enhance enterprise value by commercializing “non-financial” initiatives, which social challenge the firm tries to address, and its unique social value. Together, these eventually raise enterprise value.

At SOMPO, value created by such initiatives that raise financial value and enterprise value in the mid- to long-term is what we call “Unrealized Financial Value.” We will increase these initiatives on a group-wide basis while ensuring these help raise financial value and enterprise value. Employee engagement is high at diversified organizations, while financial performance is strong at highly engaged organizations. We leverage various metrics to measure and analyze these correlations as we pursue internal and external routes to help increase financial value and enterprise value.

Social value created by “egaku,” a Real Data Platform for Nursing Care

An initiative unique to SOMPO that creates enormous social value is “egaku,” a Real Data Platform for Nursing Care that we commercialized in FY2023. Predictions are for a labor supply and demand gap in nursing care, as a result of low fertility and the aging population that would result in a system collapse by 2040 in Japan and later occur in other countries. By visualizing and analyzing real data, such as daily vital data of care home residents, “egaku” enables the best care for each person. It also brings other benefits, such as improvements to productivity and the quality of care. It allows employees to focus on the care services that only humans can provide, making time for employees, and increasing employee satisfaction and engagement. We will roll out “egaku” to the entire nursing care industry, not just in SOMPO. We aim to make this service a de facto standard in the nursing care industry helping to close the labor supply and demand gap in nursing care, which is predicted to widen to 690,000 people in 2040. We will also contribute to a future society where everyone can receive nursing care when needed.

According to our estimates, “egaku” would close the labor supply and demand gap in nursing care by 220,000 people and create GDP-equivalent social value of 3.7 trillion yen (US$ 27.8 billion). I have not heard of any other effective solution, in Japan or around the world, that helps close this labor supply and demand gap in nursing care, so SOMPO will confidently forge ahead to address challenges facing the world, not just Japan. We will support as many seniors as possible, steadily work on creating value by changing the future of nursing care, something only SOMPO can accomplish, and enhance enterprise value.

To become “indispensable”

Lastly, I will touch upon the Mid-Term Management Plan.

Sompo Holdings, Inc. was established in 2010 with the integration of two Japanese P&C insurance companies. Since then, we have aggressively transformed the group to establish “A Theme Park for Security, Health & Wellbeing,” a unique business model in the world, and to be “indispensable.” In our core insurance business, we have worked to build a business portfolio conducive to further growth and resilience by improving the profitability of our Japanese P&C and life insurance companies. We have done this through integration, and by establishing a global platform with the acquisition of a large foreign insurance company. We have steadily built a business foundation to realize “A Theme Park for Security, Health & Wellbeing” by fully entering the nursing care industry in 2015, investing aggressively in the digital business since 2016, and forming an alliance and strong partnership with Palantir Technologies.

Our goal under the 3-year Mid-Term Management Plan which started in FY2021 is to realize “A Theme Park for Security, Health & Wellbeing” based on these foundations.

The focus of the 3-year period is to deliver on our purpose, and the Group has worked as one in implementing initiatives. As a result, the Overseas Insurance and Reinsurance Business has become a driver of the group’s growth and established a strong financial foundation which is integral to forging ahead to realize our Theme Park vision. The wealth of real data derived from our diverse businesses, which is one of SOMPO’s strengths, is utilized through “egaku,” a new business that creates enormous social value. In FY2022, we missed our adjusted consolidated profit target due to one-off effects but in FY2023, adjusted consolidated profit is expected to reach a new record high of 280 billion yen, and the ROE target of 10% is likely to be met. As Group CEO, I feel confident about our accomplishments towards our Theme Park vision, which we have been working on for more than 10 years.



However, if asked whether SOMPO has yet realized our Theme Park vision and became indispensable, I have to answer not to the degree I had hoped, and we need to continue the pursuit. As Group CEO, I will work closely with Mikio Okumura, our Group COO, to accelerate purpose-driven management unique to SOMPO, increase workplace diversity based on inclusion, utilize data and digital technologies to their fullest, and continue to create new value that helps to address social challenges. I will work to ensure SOMPO becomes the corporate group we aspire it to be, and to make SOMPO indispensable by ensuring we deliver unique value in the world.

Message from the Group COO

Our Purpose is to create a society in which every person can live a healthy, prosperous, and happy life in their own way.

To this purpose, we strive to meet the changing needs of customers and earn their trust while strengthening our core and our resilience.

The origin of the Sompo Group is in Tokyo Fire Insurance Company, Inc., Japan's first fire insurance company, founded in 1888. When fires occurred, Tokyo Fire Insurance Company representatives not only provided financial compensation in the form of insurance, but also rushed in before anyone else and risked their own lives to protect customers from the fire.

Over 135 years, we have inherited this DNA and it is now part of SOMPO's Purpose.

We deliver "Security, Health & Wellbeing" to our customers to create a society in which every person can live a healthy, prosperous, and happy life. To this end, we protect people from future risks facing society, create a future society for healthy and happy lives, and foster the ability to change future society through diverse talents and connections. We will continue to deliver these three values.

To achieve this, I believe it is essential to first gain an accurate grasp of the changes in society and Sompo Group's business environment, and to then take a hard look at our own business model and values and take what we learn to heart. As the Group Chief Operating Officer (COO), I am relentless in developing our future-oriented mindset and implementing what we have to do to meet the changing needs of customers and earn their trust while strengthening our core and our resilience.

Mikio Okumura
Group COO
Director
President and Representative Executive Officer



Squarely facing a tough environment

Since taking office as Group COO last April, I continue to question myself to ensure I correctly and calmly recognize the business environment in which the Group finds itself and how to squarely face harsh reality to realize SOMPO's Purpose and achieve sustainable growth.

First of all, I believe we must accept the demographic dynamics of Japan, our main market. For the first time in history, Japan is facing a permanent population decline. In fact, Japan's population declined from a peak of about 128 million people in 2008 to about 124.6 million in 2023. Since this is a decrease of only 2.6%, many may not even realize that the population is declining. However, the decline in the number of births is remarkable. In 1965, when I was born, there were about 1.82 million births, but in 2022, there were less than 800,000 births, the lowest number in history. According to one study, Japan's population is projected to fall below 100 million by 2056, and the number of births will fall below 500,000 by 2059. In other words, there is no question that Japan is facing a steep population decline going forward.

Furthermore, expectations are that the working-age population aged 15–64 will decline from its peak of approximately 87.16 million in 1995 to 74 million in 2023 and 52.75 million in 2050. Meanwhile, the percentage of seniors aged 65 and over continues to rise, reaching 28.9% in 2022. In other words, because the number of those working is decreasing, the number of people supporting those not working is not increasing, it will be impossible for the economy to keep growing. We need to take these demographic changes to heart and not remain stuck in a business model that assumes a steadily growing population and economy, as has been the case in the past.

Next is climate change, which is a global social issue and a growing risk. We cannot avoid this issue, both to pass on a better society to the next generation and for SOMPO to achieve sustainable growth. Natural disasters continued to rage in 2022, with insured losses of approximately 18.5 trillion yen, well over the 10-year average of 12.7 trillion yen. The intensification of natural disasters has been increasing by 5–7% annually for the past 30 years, and is expected to continue. As a Group whose core business is P&C insurance and which is expected to protect people from the risk of natural disasters, we must reconsider how we conduct business that enhances our resilience and ability to deliver peace of mind to our customers.

Moreover, supply chains have been disrupted by the COVID-19 pandemic, while inflation has continued at levels not seen in recent decades. Prices continue to rise more than expected in Japan, as evidenced by the higher-than-expected consumer price index released by the Bank of Japan in July of this year. In Japan, where deflation has persisted for a long time, not many people have experienced an economic environment of sustained inflation. Under such circumstances, it is necessary to constantly think about what to change and what not to change.

Most important of all is the transformation of customers' values and needs that accompanies these changes in the business environment. For example, when it comes to insurance procedures, value in the customer experience is advancing by leaps and bounds, with insurance that can be easily purchased with just a few clicks on a smartphone, and



video explanations of personalized policies, among other innovations. We need to provide new services that respond to the evolution and transformation of these customer expectations. In addition, preventive and pre-symptomatic needs that arise before insurance is needed, will continue to grow in the future.

Our business model up until now has certainly worked. In the future, however, as the external environment and assumptions change significantly, society will have no need for business models, values, and ways of working based on the past, no matter how successful they were before. I recognize that there are many issues that must be re-examined, including, for example, industry practices such as cross-shareholdings between companies and joint underwriting by several insurance companies under the same terms and conditions. Above all, we need to re-examine our own mentality and corporate culture.

We must accept these realities and truths without averting our eyes, accurately identify changes in customer needs, and develop concrete measures to address them. I am determined to take the lead in driving the transformation of the Group.

What we have been working on

To respond to changes in the external environment, we have been working on scale expansion and risk diversification in the current Mid-Term Management Plan. Since the establishment of Sompo Holdings in 2010, the Domestic P&C Insurance Business has generated the majority of the Group's earnings. However, the P&C insurance business is strongly correlated with population, which means at some point we may face a situation where it stops growing, since as I mentioned earlier, we are in an environment of steady population decline. Therefore, in addition to embarking on earnings structure reform in the Domestic P&C Insurance Business, we have been pushing ahead with a reconsideration of the earnings structure and business portfolio of the Group as a whole, including the aggressive allocation of management resources to overseas insurance markets with high growth potential, and entering the nursing care market that is expected to expand as the population ages.

This effort has shown some results. The Group's premiums written have grown significantly, mainly in our Overseas Insurance and Reinsurance Business from around 1.9 trillion yen in 2010 when Sompo Holdings was established, to nearly double at approximately 3.6 trillion yen in FY2022. I am also proud to report that our efforts towards scale expansion and risk diversification have had some success. For example, the ratio of the Overseas Insurance and Reinsurance Business to adjusted profit increased from about 15% in FY2020 before the start of the current Mid-Term Management Plan to about 43% in FY2022.

In the Japanese senior market, which is expected to expand, Sompo Group holds the No. 1 position in terms of the number of rooms for nursing care. We are seeing a good response from customers with an improving occupancy rate thanks to the expansion of nursing facilities and home-based offices, and the increasing productivity and sustained quality of our nursing care. As a result, sales in FY2023 are expected to exceed the targets set in our Mid-Term Management Plan.

There are two lessons I have learned through my experience as head of our nursing care business. One is the value of the nursing care business in enabling us to have daily contact with customers, something that is difficult to achieve with insurance. The second is the seriousness of the nursing care supply-demand gap; that is, the fact that staff involved in care cannot keep up with the increase in the number of seniors in need of care, which is a serious social problem. This is truly a national crisis that is not only a problem for Japan but is expected to be faced by other developed countries in the future, and a matter I believe SOMPO must face and solve for.

We have developed the "egaku" service as one solution to realize that vision. It enables visualization of the health status of residents in nursing care facilities and predicts the necessary support for seniors receiving nursing care. This solution not only enables appropriate services to be provided, but also reduces the burden on care workers. As a result, we expect it to improve productivity while sustaining the quality of care and improve engagement among caregivers. In turn, I believe this will contribute to closing the nursing care supply-demand gap.

We developed the "egaku" service using data sourced from nursing care users and others and technology from our partners, including Palantir, one of the world's leading data analysis companies. We will use this data and technology to meet the true needs of our customers. This is the strategy incorporated into our Real Data Platform (RDP), of which the commercialized service "egaku" is the first step.

Going forward, we will use data and technology to meet customer needs, not only in the nursing care business but in various other Group businesses. Data from our customers will help us better understand their needs, and develop and provide new services for them. We will continue to build our platform for delivering this value.

Taking on the challenge of creating new value

Again, we need to change ourselves to better meet our customers' needs. We need to rethink our organization, systems, and business model and build a structure that can respond seriously to customer needs and make quick decisions. Embedding diversity and inclusion in our organization is also essential to meeting and responding to these diverse voices and needs. That way, all executives and employees from the head office to the operational frontlines must listen to the voices of customers and other stakeholders, think proactively about what is required of us and what our end goal should be, and must speak-up and be heard within their respective organizations. Transforming into such a corporate culture is more important than anything else. To achieve sustainable growth, Sompo Group will work to strengthen resilience in the broad sense of building a strong and flexible organization that is more resilient to environmental changes.

On the financial side, in addition to the scale and diversification I mentioned earlier, we have achieved a certain level of success, such as improving investment income by having the Domestic P&C Insurance Business and the Overseas Insurance and Reinsurance Business work together as one with the aim of creating a conglomerate premium, but there is still much more to be done.

Our slogan for these efforts is "Building and Making Connections."

The Overseas Insurance and Reinsurance Business has grown to a scale approaching that of the Domestic P&C Insurance Business, and the premiums written by the Group as a whole are already among the best in the world. Tightly connecting these two businesses should make it possible to further grow the P&C insurance business by boosting its expertise in insurance underwriting, boosting its efficiency through optimal underwriting risk retention and optimized operations, and offering its products on a global basis. Going forward, as a global P&C insurance group, we will properly assess our customers' risks, provide optimal coverage, and further improve our resilience to protect people from a wide range of risks.

In the area of health and wellness too, I believe we can work more effectively by connecting the Group's businesses. We are supporting the extension of healthy life expectancy, i.e., the ability of as many customers as possible to stay healthy for as long as possible, through the "Insurhealth®" product from our Domestic Life Insurance Business. In addition, our Nursing Care & Seniors Business is trying to contribute to closing the supply-demand gap in nursing care through the "egaku" service.

In the future, we intend to connect the services of these two businesses of life insurance and nursing care. We will use technology to connect the data from our customers, and then connect the services of various partners that support health and wellness. We will establish business-to-business connections, and use technology and data to connect with customers and stakeholders.

The Group will also provide solutions to the changing behaviors and needs of customers at each stage of their lives. To that end, we will connect the data from our customers to the various services offered by Sompo Group, including P&C insurance, life insurance, and healthcare, to support our customers take action to improve their health and wellness, and provide high-quality nursing care services as they age and need nursing care. In this way, we hope to evolve to be a companion in the lives of our customers.

I believe that the business environment and customer needs will continue to change, but rather than averting my eyes from the realities and inconvenient truths facing Sompo Group, I will seize these opportunities and lead reforms that promote growth. With the trust of our stakeholders, which is more important than anything else, I will continue to work hard to improve the Group's corporate value and realize SOMPO's Purpose.

Strategy to Realize SOMPO's Purpose

Strengthening resilience is essential for SOMPO to continue meeting the needs of its customers in order to realize SOMPO's Purpose. We aim to improve financial value by further promoting scale and diversification, which we have been working on under the Mid-Term Management Plan, as well as pursuing a conglomerate premium, while providing and returning to the Group the financial and customer base gained from these activities.

In addition, we aim to create social value by making use of the diversity of our business, which is one of the strengths of SOMPO, and by using data and other resources as the starting point for our strategy of "Building and Making Connections." Using the abundant data from the Group's operations as a starting point, we will connect our businesses to each other and make connections with multi-stakeholders to understand the needs of our customers and adapt to their changing behavior. We will also create value that only SOMPO can provide and that only SOMPO can deliver, thereby enhancing our corporate value.

Key to the implementation of these strategies will be our digital strategies. In addition to contributing to business efficiency, cost reduction, and new service development through digital transformation (DX) (Horizon 1), we are spearheading the transformation of the business itself, for example by contributing to the development of new businesses by utilizing data accumulated through DX (Horizon 2). Furthermore, in anticipation of major changes in the future, such as Web3 and AI, we will continue to drive our own transformation and take on the challenge of realizing SOMPO's Purpose (Horizon 3).

SOMPO's Purpose

Enhancing financial value

Improve ROE/Stabilize profit

Stronger resilience

- **1) Scale and Diversification** ▶ P.20-23
- **2) Conglomerate Premium —One Sompo—** ▶ P.24-25

Turn social value into financial value

Financial foundation and customer base

Scaling-up social value

Growth of "egaku"/New service

"Building and Making Connections" based on data and other resources

- **1) Real Data Platform (RDP)** ▶ P.26-27
- **2) Provide New Value such as Health Support** ▶ P.28-29

Key digital strategies ▶ P.30-43

Horizon 1 DX → **Horizon 2** RDP → **Horizon 3** Era of Web3 and AI

Domestic P&C Insurance Business (Sompo Japan Insurance)	Overseas Insurance and Reinsurance Business (Sompo International)	Domestic Life Insurance Business (Sompo Himawari Life Insurance)	Nursing Care & Seniors Business (Sompo Care)	Digital Business (SOMPO Light Vortex)

Consolidated ordinary income	Adjusted consolidated profit	Number of officers and employees	Geographic reach
¥4,607.1 billion	¥152.2 billion	74,654 people	27 countries and regions

*Parentheses indicate major companies in each business segment. *As of March 31, 2023

Message from the Group CFO/CSO



Execution of medium-term profitability measures and effective capital policies will drive SOMPO's growth

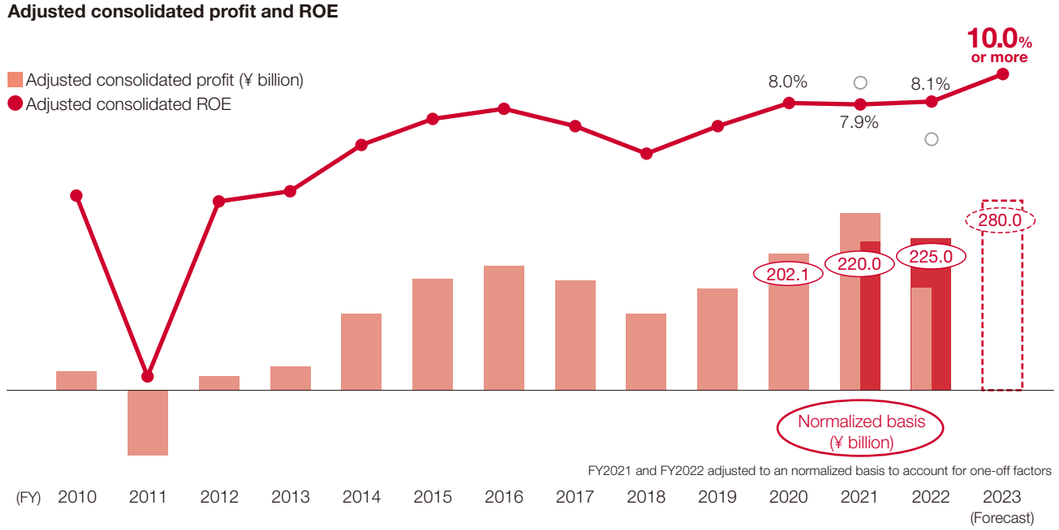
Masahiro Hamada
Group CFO/CSO

Progress on management targets

Our Mid-Term Management Plan that kicked off in FY2021 calls for adjusted consolidated profit of more than ¥300 billion and adjusted consolidated ROE of at least 10% as the management targets for FY2023, the final year of the plan. In the last two years, we have made solid progress on the initiatives outlined in the plan, including earnings structure reforms in the Domestic P&C Insurance Business and growth in the Overseas Insurance and Reinsurance Business. This has led to a steady improvement in underlying profitability.

On the other hand, the operating environment, particularly in the Domestic P&C Insurance Business, has changed significantly over the last two years. Specifically, the earnings environment in the Domestic P&C Insurance Business is becoming increasingly challenging mainly because natural disasters are growing more severe and occurring more frequently; margins on fire and allied insurance, including major accidents and the like, have deteriorated; car accidents have increased more than expected after COVID-19; and unit repair costs for voluntary automobile insurance have skyrocketed due to inflation. Taking the impact of these factors firmly into account, we are forecasting adjusted consolidated profit of ¥280 billion in FY2023, just shy of the Mid-Term Management Plan target. However, we expect adjusted consolidated ROE to exceed the 10% target, partly reflecting the impacts of shareholder returns, the reduction of strategic shareholdings, and other capital policy measures.

Adjusted consolidated profit and ROE



Measures boosting profitability during the MTMP period

Looking back on the first two years of the Mid-Term Management Plan, after stripping out one-off factors such as the increase in COVID-19 hospitalization benefits, FY2022 adjusted consolidated profit on a normalized basis came to ¥225.0 billion, which represents steady growth from the ¥202.1 billion posted in FY2020, the final year of the previous plan. Aided by the tailwind of a rising interest rate environment, we also recorded strong topline growth centering on the Overseas Insurance and Reinsurance Business, thereby achieving Group-wide annualized sales growth of more than 10%. Also, growth in the Overseas Insurance and Reinsurance Business predominantly from rate hikes and bolt-on M&As was the driver of Group-wide adjusted consolidated profit and, as a result, the overseas business weighting in the Group increased by approximately 30% over this two-year period, contributing to the diversification and stabilization of Group profit.

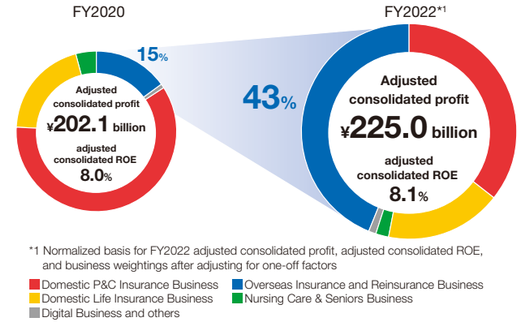
Evolution of each business in Japan

In the Domestic P&C Insurance Business, we have steadily carried out the earnings structure reforms outlined in the Mid-Term Management Plan. Standardizing pricing to match income and expenditures for insurance contracts, strengthening underwriting with the use of Palantir's data analysis technology, and boosting productivity by improving business processes with the use of digital tools, among other initiatives, have all yielded better-than-expected results.

In the Domestic Life Insurance Business, revenue deteriorated in FY2022 owing to one-off insurance claim payments in connection with COVID-19, but the continued rollout of Insurhealth® products, which combine insurance and health support functions, has led to steady topline growth. As a result, we expect to achieve our Mid-Term Management Plan target for adjusted profit as well.

In the Nursing Care & Seniors Business, we made steady progress on developing "egaku," our Real Data Platform (RDP). Moreover, we beefed up our external sales structure mainly through the acquisition of ND Software Co., Ltd., a company that holds an industry-leading share of the nursing care software market, and pressed ahead with the development of a business foundation aimed at solving issues in society.

Weighting of Overseas Insurance and Reinsurance Business as a percentage of adjusted consolidated profit (normalized basis)

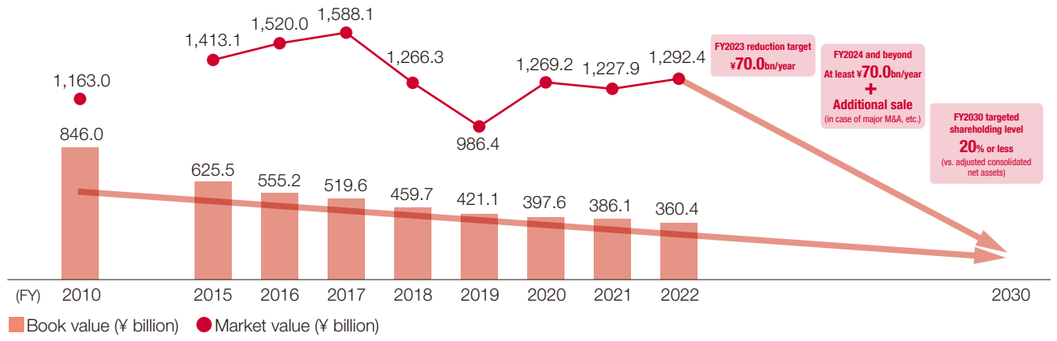


Furthermore, in addition to the steady progress made on initiatives in each business, in FY2022 we launched a new "conglomerate premium" initiative and promoted appropriate risk-taking throughout the Group in order to generate profit through the pursuit of the Group Best concept. The first step was to deploy concrete measures across businesses in the areas of retention & cession, asset management, and multinational. We are forecasting an after-tax profit boost of around ¥15 billion in FY2023 as a result of this initiative.

Capital policy during the MTMP period

Even on the capital policy front, we are making steady progress on the objectives of the Mid-Term Management Plan chiefly by minimizing risk in areas characterized by low capital efficiency and allocating capital to growth investments. Particularly regarding the strategic shareholdings of Sompo Japan Insurance, when the Mid-Term Management Plan was formulated, we set a reduction target of ¥50 billion per year (for a cumulative reduction of ¥150 billion over the plan's three-year period), but with the aim of further improving capital efficiency and generating surplus capital, we ramped up the annual pace of reductions to ¥70 billion starting from FY2022. Our policy in the medium term is to lower the balance of our strategic shareholdings to 20% or less compared to adjusted consolidated net assets by FY2030. However, this target is also a milestone on the way to further reductions in strategic shareholdings and we intend to continue this reduction in FY2030 onwards.

Balance of strategic shareholdings





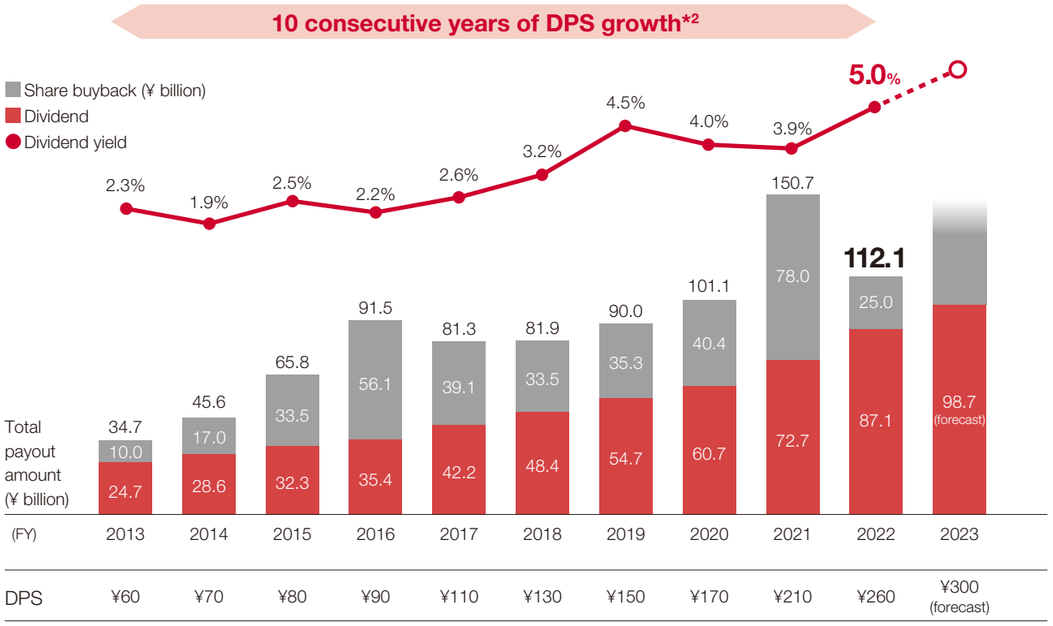
As for interest rate risk, when we formulated the Mid-Term Management Plan, we aimed to have Sompo Himawari Life Insurance purchase super-long-term bonds worth ¥300 billion on an annual basis (for a total of ¥900 billion over the course of the plan), but in light of rising interest rates, we accelerated the pace of its super-long-term bond purchases to ¥489.3 billion in FY2022. As a result, the amount of interest rate risk at the end of FY2022 had been lowered to roughly one third of the level at the start of the Mid-Term Management Plan.

At the same time, ¥600 billion was earmarked for growth investments during the period of the Mid-Term Management Plan. In the first two years, we invested some ¥400 billion to facilitate an increase in capital in the Overseas Insurance and Reinsurance Business and to acquire ND Software in the Nursing Care & Seniors Business. In FY2023 as well, we will continue to seek out investment opportunities that align with our medium- to long-term strategy and make investments at appropriate valuations with a high degree of discipline.

In terms of funds for these growth investments, in 2022 Sompo Japan Insurance issued its first series of straight corporate bonds for the purpose of financing the conglomerate premium initiative. Also, in 2023 we financed the acquisition of ND Software with the Group's first-ever issuance of ESG social bonds. This marks the first issuance of social bonds by a Japanese insurance group and many of the investors who endorsed our commitment to solving issues expressed their intentions of investing.

Turning to shareholder returns, we have long aimed to deliver attractive returns to shareholders whilst striking the right balance between improving capital efficiency and our appetite for growth investments. Specifically, 50% of adjusted consolidated profit is currently being paid as basic return. We have also provided supplementary returns in keeping with our transparent shareholder returns policy; in FY2021 we delivered an extra ¥20 billion to shareholders as a way of adjusting our capital levels, and in FY2022 we extended additional returns in order to maintain the previous fiscal year's level of return when profit declined. We also aim to raise dividends in line with profit growth, which is why we have hiked dividends for 10 consecutive years since FY2014. Plus, we have achieved annualized DPS growth of more than 20% since the start of the current Mid-Term Management Plan.

Shareholder returns

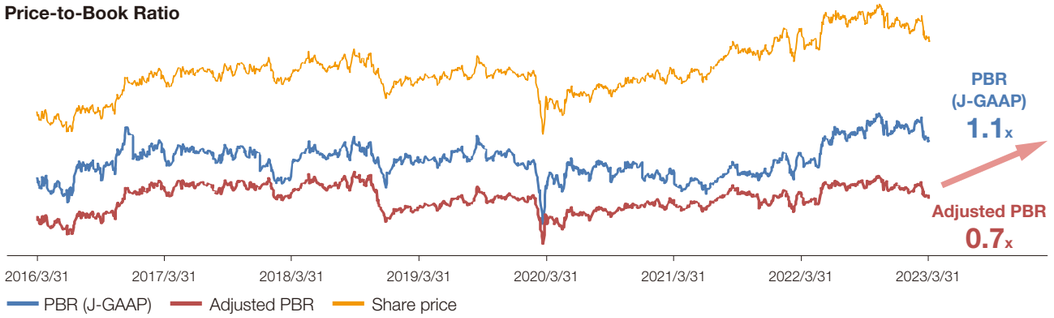


*2 Includes FY2023 forecast

On the topic of financial soundness, as of the end of FY2022, our economic solvency ratio (ESR)—an economic value-based equity ratio indicator—was 223%, within our target range of 200%–270%. Whilst we continue to invest in growth, there are still no concerns regarding our financial soundness, even though profit has been dented by one-off factors and earnings have been impacted by financial market volatility.

Even despite changes in the external environment weighing on Group profits, we recognize that the steadfast execution of strategic and financial measures in the Mid-Term Management Plan has helped drive the share price to an all-time record high and is contributing to a recovery in the P/B ratio to above 1.0x (J-GAAP basis). On the other hand, the adjusted P/B ratio (which takes into account the impact of Japan's unique insurance accounting standards) is still currently below 1.0x, so going forward we will aim to get this multiple above 1.0x by further advancing our efforts.

Price-to-Book Ratio



Medium-term management strategy

While FY2023 is the final year of the current Mid-Term Management Plan, it is also the year in which we will formulate the next one. Even though each line of business is steadily growing, we are cognizant of the increasingly challenging business environment. That is why in FY2023, in addition to the current raft of Mid-Term Management Plan initiatives, we started implementing measures to further boost profitability over the medium term.

In our domestic and overseas P&C insurance operations, we will aim to further strengthen our resilience. In Japan, to improve the profitability of fire and allied lines in which margins have deteriorated in particular, we will aim to get earnings back into the black by the mid-2020s through fundamentally improving underwriting conditions with a review focused on not only premium levels, but shorter policy durations and the scope of coverage. Also, to boost productivity, we intend to simplify operations by discontinuing and consolidating products and streamline organizational structures, and improve the persistently high expense ratio to around 31%.

In the Overseas Insurance and Reinsurance Business, as the rate hike cycle that has hitherto supported steady topline growth gradually peaks out, we will look to engage in more profitable underwriting operations and build a diversified underwriting portfolio. We will also invest in geographical expansion with the aim of further stabilizing revenue. We are planning to invest in Canada, Europe, and Southeast Asia in order to diversify away from our existing businesses that are concentrated in the US and the UK.

In the Domestic Life Insurance Business and Nursing Care & Seniors Business, we will use data to generate stronger earnings and create value for society.

For the former, we continue to expand sales of Insurhealth® products, but by analyzing the real data collected from these contracts, we can use it to encourage healthy behavior among customers and propose new services. With this approach, we will aim to generate synergies between stronger sales of insurance and health promotion efforts as a company that supports people's health.

As for the Nursing Care & Seniors Business, we will press ahead with the full-scale commercialization of the "egaku" project. With the inclusion of synergies with ND Software, which was acquired in 2023, our sights are set on ¥30 billion in sales and ¥10 billion in operating profit by FY2030. Our long-term aim is to become the de facto standard in the industry. We will also endeavor to solve issues in society by filling in the caregiver supply-demand gap.

With these measures for boosting profitability, along with an appropriate capital policy, we aim to drive the share price higher, improve valuations, and enhance corporate value. We attach a lot of importance to improving the P/B ratio as a key benchmark indicator.

Whilst the P/B ratio can be broken down to ROE and the P/E ratio, our domestic and overseas P&C insurance operations in particular are the mainstays of the Group and the driving forces behind ROE improvement as they are strengthening our resilience and maximizing synergies. On the other hand, especially in the Domestic Life Insurance Business and the Nursing Care & Seniors Business, initiatives like "egaku" are indicative of our focus on creating new added value and social value with real data. With this approach, we aim to stoke future growth expectations from investors and lift the P/E ratio.

Furthermore, we will continue to provide attractive returns to shareholders with the aim of realizing an adjusted P/B ratio above 1.0x at the earliest possible time.

We are confident of achieving further growth in the Group's businesses and enhancing overall corporate value.

Mid-Term Management Plan

With the aim of achieving the SOMPO's Purpose, we are currently implementing the three core strategies outlined in the Mid-Term Management Plan that kicked off in FY2021.

In addition to advancing our "Scale & Diversification" strategy sucha as chalking up topline growth of more than 10% annually and expanding the profit weighting of the Overseas Insurance and Reinsurance Business, we have also made steady progress on the core strategy of "New Customer Value Creation." For example, we launched the "egaku" Nursing Care RDP project and acquired ND Software, a company that boasts the leading share of the nursing care software market.

For the "New Work Style," we went about implementing what we call "Purpose Management" based on the My Purpose approach of each and every employee, and we undertook various initiatives aimed at improving human capital as the driving force of SOMPO's Unique Value Creation.

For FY2023, the final year of the plan, even though we expect to reach our adjusted consolidated ROE target of at least 10%, we are forecasting adjusted consolidated profit of ¥280 billion, which mainly reflects the impacts of increasingly intense natural disasters, global price inflation, and the COVID-19 pandemic.

Taking the challenging external environment into account, we will continue to work towards generating further growth and achieving SOMPO's Purpose by not only completing our current initiatives, but also by initiating and executing measures to boost profitability over the medium term.

Mid-Term Management Plan (FY2021–2023)

Objectives at the time of plan announcement

Realizing "A Theme Park for Security, Health & Wellbeing"

- Adjusted consolidated profit: ¥300.0 billion or more
- Adjusted consolidated ROE: 10% or higher
- Increase the risk diversification effect
- Be a solution provider that goes beyond the boundaries of insurance

Three Core Strategies

1 Scale and Diversification

- **Global topline growth**
- **Higher profit weighting of Overseas Insurance and Reinsurance Business**
- **Benefits of earnings structure reform in Domestic P&C Insurance Business**

2 New Customer Value Creation

- **Launch of "egaku" Nursing Care RDP**
- **Provision of new value through Insurhealth®**

3 New Work Style

- **Transition to Purpose Management**

Implementing Purpose Management based on the value creation cycle

My Purpose-based initiatives for improving human capital

Rollout of Group-wide "SOMPO Awards"

Business Foundation

Capital Policy/ERM | SDGs in Business Management | Governance

Key Financial Performance Indicators

*Targets refer to the Mid-Term Management Plan announced in 2021.

		FY2020 actual	FY2021 actual	FY2022 actual	FY2023 forecast	Target (end-FY2023)
Adjusted consolidated profit		¥202.1 billion	¥261.3 billion	¥152.2 billion	¥280.0 billion	¥300.0 billion or more
Adjusted consolidated ROE		8.0%	9.4%	5.5%	10% or higher	10% or higher
Diversification effects	Risk diversification ratio	39.4%	41.1%	39.5%	40% or higher	Improvement on FY2020
	Overseas business ratio	14.9%	23.7%	43.2%*1	50% or higher	30% or higher

Domestic P&C Insurance

	FY2020 actual	FY2021 actual	FY2022 actual	FY2023 forecast	Target (end-FY2023)
Adjusted profit	¥130.1 billion	¥157.4 billion	¥32.0 billion	¥80.0 billion	¥150.0 billion or more
Net premiums written*2	¥1,903.4 billion	¥1,941.7 billion	¥2,014.7 billion	¥2,047.4 billion	¥2,000.0 billion
E/I combined ratio*2	94.3%	93.5%	100.9%	97.3%	91.7%
Reduction of strategic shareholdings	¥70.3 billion	¥50.1 billion	¥70.3 billion	¥70.0 billion	¥50.0 billion (three-year total: ¥150.0 billion)

Overseas Insurance and Reinsurance

	FY2020 actual	FY2021 actual	FY2022 actual	FY2023 forecast	Target (end-FY2023)
Adjusted profit	¥30.0 billion	¥61.8 billion	¥93.3 billion	¥150.0 billion	¥100.0 billion or more
GWP growth rate*3	+37.8%	+31.1%	+9.9%	+10.6%	Annual rate of approx. +9%
E/I combined ratio*3	97.8%	93.9%	93.5%	91.6%	88–89%

Domestic Life Insurance

	FY2020 actual	FY2021 actual	FY2022 actual	FY2023 forecast	Target (end-FY2023)
Adjusted profit	¥32.5 billion*4	¥33.6 billion	¥17.8 billion	¥40.0 billion	¥40.0 billion or more
Annualized new premiums*5	¥29.8 billion	¥35.6 billion	¥36.1 billion	¥46.0 billion	¥50.0 billion
Policies in force	4.26 million	4.45 million	4.71 million	5.00 million	5.00 million
Investment for ALM matching*6	—	¥329.4 billion	¥489.3 billion	¥300.0 billion	¥300.0 billion

Nursing Care & Seniors

	FY2020 actual	FY2021 actual	FY2022 actual	FY2023 forecast	Target (end-FY2023)
Adjusted profit	¥7.3 billion	¥5.9 billion	¥5.9 billion	¥7.0 billion	¥8.0 billion or more
Revenue	¥131.8 billion	¥136.1 billion	¥149.8 billion	¥178.8 billion	¥162.0 billion
Occupancy rate*7	89.4%	91.1%	92.3%	94.8%	93.8%

New Customer Value Creation

RDP	Nursing Care RDP "egaku"				
FY2023 target	Medium-to-long term target	FY2022 actual	FY2023 target	FY2030 target	FY2040 target
External sales and monetization of products and services that utilize RDP: Two businesses or more	Group revenue generated by the utilization of RDP:¥500.0 billion or more	Decision on "egaku" launch	No. of facilities introducing "egaku" Nursing Care RDP: 100	Operating income of "egaku" Nursing Care RDP: ¥10 billion	Social impacts that "egaku" Nursing Care RDP creates: ¥3.7 trillion (elimination of supply-demand gap of 220,000 people)

*1 FY2022 overseas business ratio calculated using adjusted consolidated profit on a normalized basis to account for one-off factors
*2 Sompo Japan Insurance (excl. CALI, household earthquake insurance) *3 Sompo International commercial business *4 Recalculated according to current definitions
*5 Based on sales performance *6 30-year maturity equivalent *7 As of the end of the fiscal year

Strategy Execution Status

Further Strengthening Resilience
1) Scale and Diversification

Events that were unimaginable in the recent past are now occurring one after another, including natural disasters of increasing intensity, supply chain disruptions due to the COVID-19 pandemic, and higher-than-expected levels of inflation. In order to protect people from all kinds of risks in the face of this new normal, the Sompo Group has been striving to improve resilience by pursuing "Scale and Diversification" as a basic strategy in its Mid-Term Management Plan.

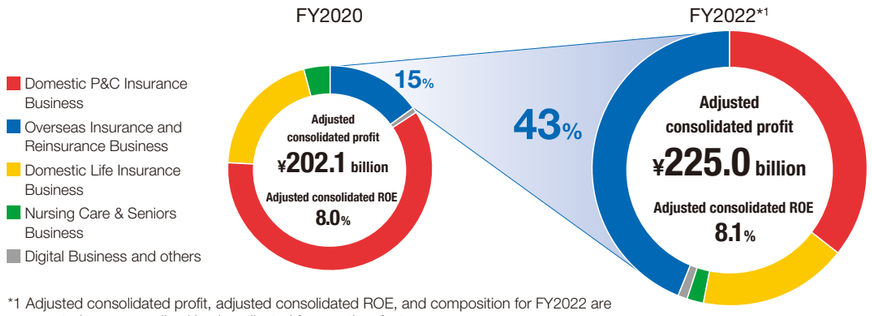
The pillars of the strategy are the expansion of global scale, the advancement of risk diversification, and the reform of the earnings structure in Japan. This part of the report describes the efforts of the two businesses that are driving these "Scale and Diversification" efforts: the Overseas Insurance and Reinsurance Business and the Domestic P&C Insurance Business.

Advancing "Scale and Diversification" Globally

Results so far

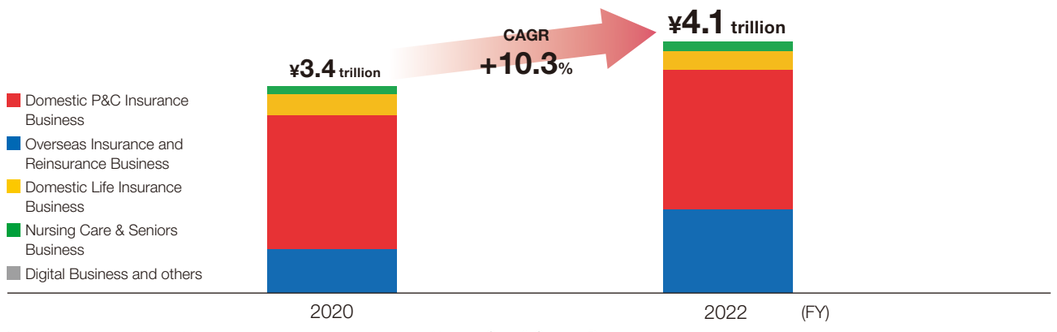
In line with the current Mid-Term Management Plan, which calls for "Scale and Diversification" as a strategy to increase profit stability by moving away from a business portfolio in which the Domestic P&C Insurance Business generates the majority of profits, we have been working on the allocation of management resources to the Overseas Insurance and Reinsurance Business. As a result, the Overseas Insurance and Reinsurance Business has grown significantly over the past two years. In FY2022, the Overseas Insurance and Reinsurance Business accounted for 43% of the Group's total profits, reflecting progress in diversifying the Group's business portfolio and improving its resilience.

Overseas Insurance and Reinsurance Business accounts for more Group profits
(progress in business portfolio diversification)



*1 Adjusted consolidated profit, adjusted consolidated ROE, and composition for FY2022 are reported on a normalized basis, adjusted for one-time factors

Expand scale by increasing premium income*2 of Overseas Insurance and Reinsurance Business

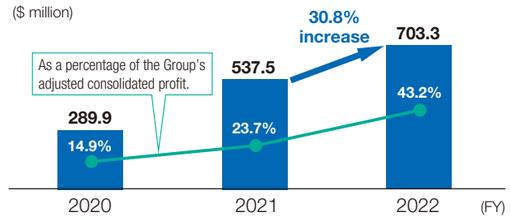


*2 Net premiums written + life insurance premiums + net sales in Nursing Care & Seniors Business

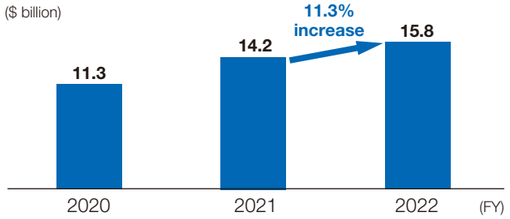
Achievements of Overseas Insurance and Reinsurance Business that led the Group

In FY2022, Sompo International continued to contribute strong growth in operating income with an adjusted profit of $703.3 million, up 30.8% from FY2021 and contributing materially to the overall profit to Sompo Group. This result was achieved despite significant CAT events across the industry and supported by a continued focus on exposure management, diversification of the portfolio and prioritizing underwriting discipline. The combined ratio across Sompo International commercial insurance was 93.5% with the accident year combined ratio improving 0.8 pts to 92.1% in the calendar year. Gross Premiums Written were $15.8 billion, 11.3% higher than in the previous year. The global commercial business expanded 9.9% as pricing trends remained positive and elevated commodity prices boosted agriculture insurance premiums. Both the commercial and consumer Insurance and reinsurance business segments contributed to this growth with the reinsurance portfolio surpassing $4 billion in Gross Premiums Written and a combined ratio of 90.1%. The consumer business also posted strong organic premium growth driven. Excluding the impact of foreign exchange and inflation in this market, the growth of the overall consumer business was double digit compared to the prior year.

Transition in the adjusted profit of Sompo International



Transition in Gross Premiums Written of Sompo International



* The percentage of Overseas Insurance and Reinsurance Business in the Group's adjusted consolidated profit is calculated on a normalized basis excluding one-off effects.

Future actions

After delivering market leading results there are still opportunities for Sompo International to grow while continuing to support existing customers with a simplified and compelling product and service offering. Today, the insurance segment is heavily focused on business in the United States and United Kingdom. This provides an opportunity to expand into some of the other top 10 P&C markets globally as well as into new geographies within borders to participate in local and regional retail and Excess & Surplus markets. Selectively expanding the commercial insurance business into Canada, Continental Europe and Southeast Asia as well as delivering a broader commercial offering to our customers in Brazil will also be key drivers of growth. As the opportunities and market presents itself, we are ready to deploy more capacity to our reinsurance customers.

The introduction of the SOMPO brand to new customers and new markets along with geographic expansion and a sharp customer focus will position Sompo International to successfully deliver on commitments to the Sompo Group.

Comments from business owner



James Shea
CEO of Overseas Insurance and Reinsurance Business

Over the past several years Sompo International has grown to be a leading provider of commercial insurance and reinsurance in our markets outside of Japan. With over 130 years of history servicing over one million commercial and consumer customers across the world and a global P&C business of $35 billion+ we believe it is time to focus on increased brand awareness and leveraging our size and financial strength to support existing and future customers on a level with other global P&C carriers.

A high performing successful organization attracts the best talent and creates a culture of empowerment. By delivering market-leading results, our organization will continue to giveback to society and the communities we operate in. We are excited about the future.

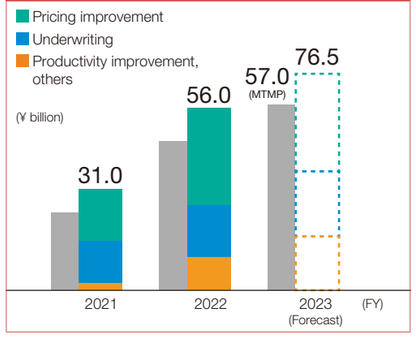
Earnings Structure Reform in Domestic P&C Business

Results so far

In order to continue fulfilling our mission of supporting the Security, Health & Wellbeing of our customers even in a rapidly changing environment, Sompo Japan Insurance has been working on earnings structure reform since fiscal 2019 under a three-pronged strategy of optimizing pricing, strengthening underwriting, and improving productivity.

As a result, in fiscal 2023, the final year of the current Mid-Term Management Plan, we expect an increase in profit of 76.5 billion yen, which exceeds the initial target and represents a solid contribution to resilience.

Effect* of earnings structure reform on profit



Key measures

Pricing improvement	FY2023 effect ¥40.5 billion	• Fire and allied insurance revision (implemented October 2022) • Automobile insurance revision (implemented January 2023), etc.
Underwriting	FY2023 effect ¥25.0 billion	• Profit improvements for high-loss-ratios policies utilizing Palantir's AI technology, etc.
Productivity improvement, others	FY2023 effect ¥11.0 billion	• Business process reform utilizing digital technology • Personnel optimization through productivity improvement, etc.

* The effects are estimated by comparing with FY2020 actual on an after tax basis

Specific measures

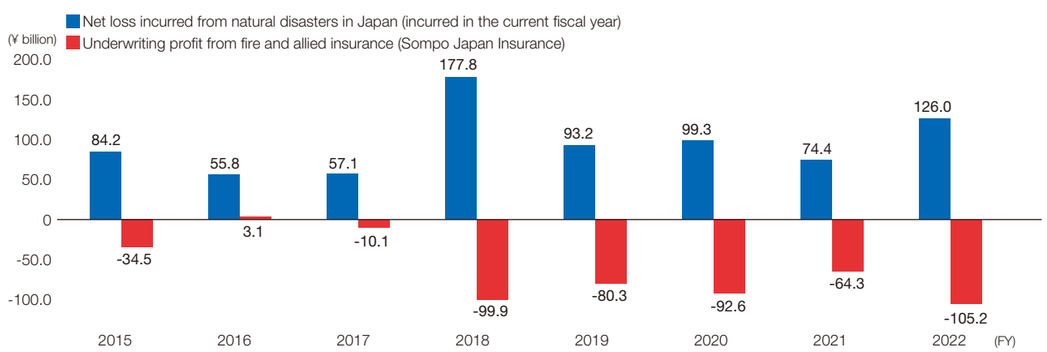
With regard to optimizing pricing, we have worked to improve profitability by revising the product details and premium setting in our mainstay fire and allied insurance and automobile insurance products.

In terms of underwriting, we are using Palantir's AI underwriting to improve revenue from policies with high loss ratios.

With regard to productivity, we are improving productivity and optimizing our workforce by promoting business process reforms that leverage digital technology.

Although these efforts are steadily generating results, the business environment has deteriorated significantly in recent years due to the increase in the frequency of natural disasters and higher-than-expected inflation. We recognize that further improvement in profitability is necessary to sustainably fulfill our responsibilities as an insurance company in the future.

Losses incurred due to natural disasters and balance of payments in fire and allied insurance



Future actions

While steadily continuing the measures that have been implemented so far as earnings structure reform, such as pricing optimization and utilizing Palantir's technology for underwriting, we will work on in-depth profit improvement measures and further productivity improvements, aiming to achieve an expense ratio of 31% in the medium to long term.

Improving the profitability of fire and allied insurance is an urgent issue, and we aim to make a profit by the mid-2020s.

Specific measures to achieve profitability will include a fundamental review of premium rates and implementing portfolio improvements by reviewing coverage for unprofitable policies.

We will accelerate efforts to improve profitability in light of changes in the business environment, including more frequent natural disasters and an increase in large losses.

Actions to improve earnings

Drastic measures to improve profitability

Fire & Allied insurance

- Pricing optimization (Effect : +JPY10.0 bn.)
- Promote shorter insurance, revise UW policy for low performing coverages/policies to improve our portfolio, etc.

Mid-2020s: Turn to underwriting profit

Other insurance

- Increase sales of our package insurance for SMEs
- Establish UW/sales framework in emerging risks, etc.

+

Measures to improve productivity

Product consolidation/ simplification

- Promote integration to products that are fully processed by agents
- Simplification and integration of product and its features, etc.

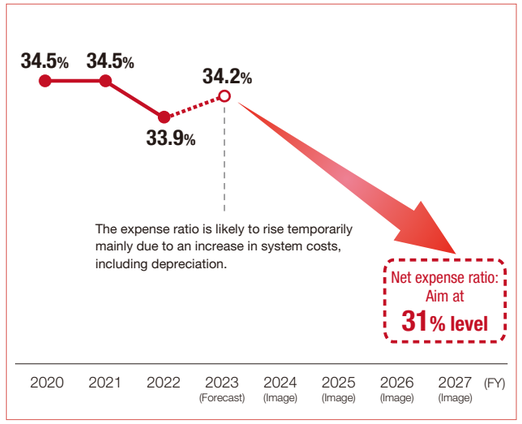
Reduce business cost

Organizational structure improvement

- Integrate the operations and underwriting functions
- Make work at home as normal and utilize the office premises thereafter
- Utilize digital technology, etc.

Optimize headcount through natural attrition

Expense ratio* outlook



*Sompo Japan Insurance (Excluding CALI & household earthquake)

Comments from business owner



Giichi Shirakawa
CEO of Domestic P&C Insurance Business

With regard to the earnings structure reform we are pursuing under the current Mid-Term Management Plan, steady progress is being made on our profit improvement measures utilizing Palantir's digital technology, which is one of the Group's advantages.

In addition, the positive feedback from our customers about our products and services has enabled us to achieve our target for net premiums written (excluding CALI and household earthquake) in fiscal 2022, one year ahead of schedule (the original target was for 2023, the final year of the Mid-Term Management Plan).

On the other hand, the business environment is undergoing major, non-transitory changes, such as more severe and frequent natural disasters, and the loss ratio, especially for fire and allied insurance, has remained high, putting pressure on profits.

Therefore, as a new action aimed at recovering profits, we will implement measures that go a step further than conventional measures. Specifically, in addition to reducing operating expenses through thorough productivity improvements, we plan to revise our rate levels in the next product revision based on the most recent earnings conditions and strengthen underwriting.

Our founding philosophy of "contributing to public welfare and the stability of people's lives and industrial development" remains unchanged to this day. We will work to restore profitability in order to continue to provide fire and allied insurance, which is an established social infrastructure, as a sustainable insurance product.

Strategy Execution Status

Further Strengthening Resilience
2) One Sompo

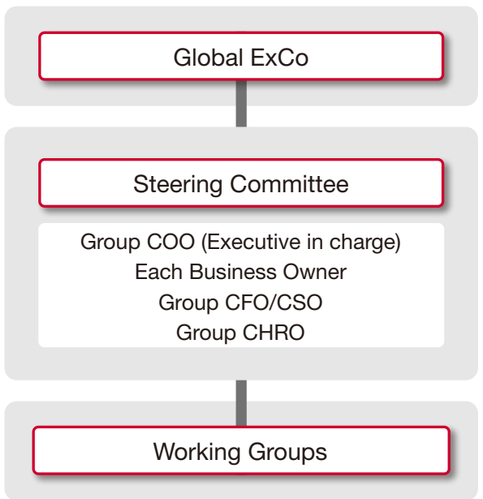


Project to leverage our strengths across the Group

In order to improve resilience, it is essential that each SOMPO business continues to improve its financial discipline, underwriting expertise, operational efficiency and market competitiveness. As we respond to the everchanging needs and risks of our customers, it is important that we leverage our expertise across the Sompo Group. In order for SOMPO to profitably grow and develop as a group, it will be necessary to enhance resilience by developing a capital efficient organization and deepening cooperation across the business units. With this mind, we launched the “One Sompo” project to create a collaborative and resilient business structure.

In order to connect the various businesses of the Sompo Group, we established a steering committee under the Global ExCO, the highest executive committee, and formed a project team with Group COO in charge, each business owner, Group CFO/CSO, and Group CHRO as members. We have been working on this project since FY2022.

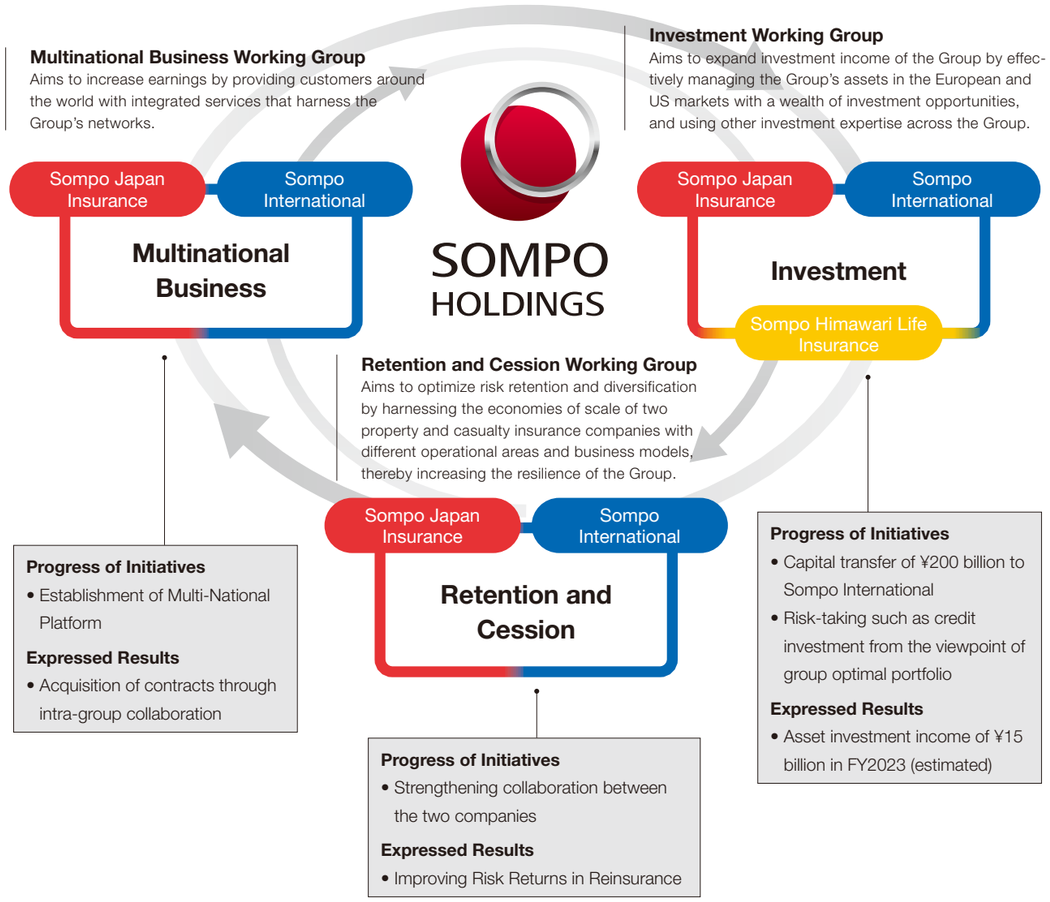
Organization/System Chart



Achievements in FY2022

In FY2022, the Group established a working group under the three main themes of “Retention and Cession,” “Investment,” and “Multinational Business.” As a result, in FY2023, the Group worked to accelerate cooperation between Sompo Japan Insurance and Sompo International in the area of Retention and Cession, which led to improvement in Risk Returns.

In Investment, a capital transfer of ¥200 billion to Sompo International and diversification of operations are expected to generate an impact of ¥15 billion. In Multinational Business, Sompo Japan Insurance has established a platform and continues to acquire contracts through cooperation with Sompo International.



Toward the Post-Medium-term Management Plan

A new medium-term management plan is scheduled to start in FY2024, and we will work to improve the resilience of the Group even more than before and drive benefits by leveraging our strengths globally.

Strategy Execution Status

“Building and Making Connections” based on data and other resources

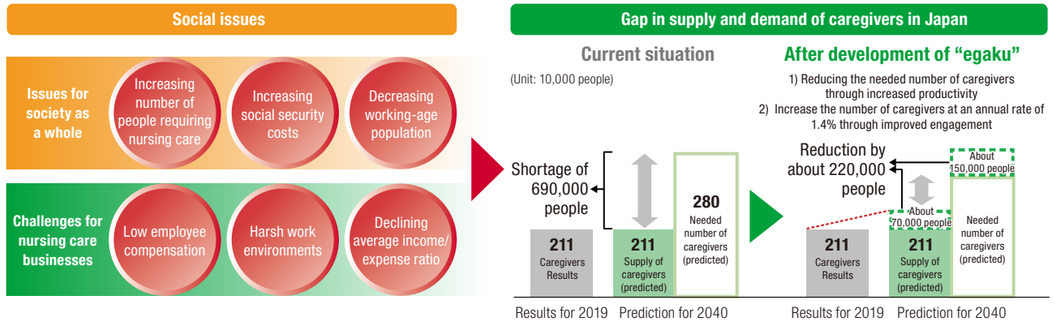
1) Real Data Platform (RDP)

In our Nursing Care & Seniors Business, “egaku” is the embodiment of the RDP concept set forth in the Mid-Term Management Plan. Launched in FY2023, “egaku” combines real data on nursing care that became available through digitization, which has been promoted in the nursing care business, with Palantir’s analytical technology and the network of our partner ND Software. Through “egaku,” we will work to close the gap between supply and demand, which is a challenge for nursing care in Japan.

Social issues and the background of the creation of “egaku”

In Japan, there are issues facing society as a whole, such as the increasing number of people requiring nursing care due to an aging population, rising social security costs, and a decreasing working-age population. In addition, bankruptcies and closures of nursing care businesses, of which 80% are small businesses, are increasing due to factors such as low employee compensation, harsh work environments, and declining average income/expense ratios. In 2040, the gap between supply and demand for caregivers to provide nursing care is expected to climb to 690,000 people.

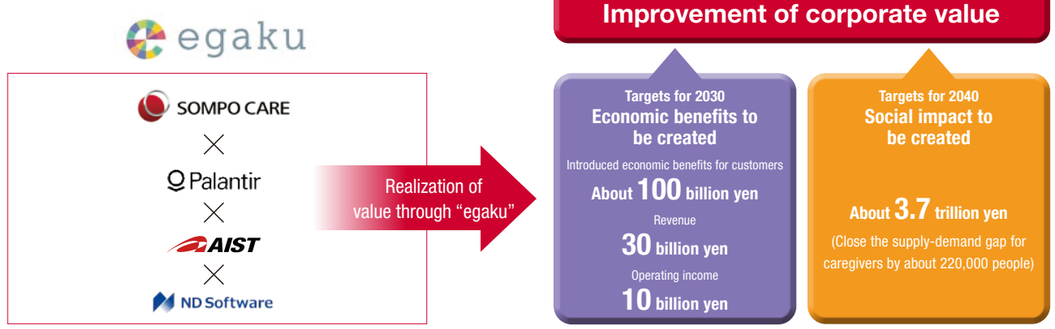
Our Nursing Care & Seniors Business is taking on the challenge of closing the gap between the growing demand for nursing care and the supply of caregivers, and improving the sustainability of the nursing care insurance system. A major pillar of this is “egaku,” a Real Data Platform (RDP) for Nursing Care that provides security, health, and wellbeing. “egaku” will create solutions that contribute to improving productivity with quality based on industry leader Sompo Care’s big data (real data) on users, as well as its operational capabilities such as services and know-how, Palantir’s data integration technology, and the R&D potential of the National Institute of Advanced Industrial Science and Technology (AIST). Furthermore, “egaku” aims to contribute to the sustainability of the industry as a whole by developing solutions leveraging ND Software’s products, channels, and customer base.



Goals of “egaku”

“egaku” aims to become the de facto standard for the nursing care industry as a whole. Its objective is to improve the sustainability of the nursing care industry by reducing the needed number of caregivers through increased productivity and increasing the number of caregivers through improved engagement (fostering job satisfaction among nursing care workers), and to minimize impacts on people’s lives through various means, such as through a reduction in nursing care employee turnover.

The targets set for 2030 regarding economic value to be created are 100 billion yen in introduced economic benefits for customers, 30 billion yen in revenue, and 10 billion yen in operating income. Our target for 2040 is to create about 3.7 trillion yen worth of social impact by closing the supply-demand gap for caregivers by about 220,000 people, and through such initiatives, the Sompo Group aims to improve its corporate value.



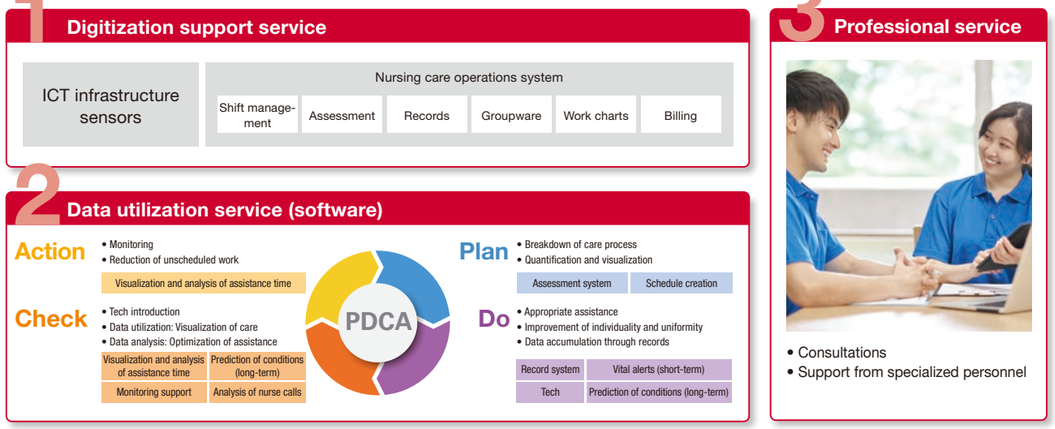
“egaku” services

“egaku” provides three types of services to meet the needs of nursing care businesses: digitization support services, data utilization services, and professional services.

Regarding its digitization support services, “egaku” leverages the effectiveness of its synergy with ND Software to provide support to nursing care businesses in acquiring data through digitization and introducing business systems, and links these services to its data utilization services.

Regarding its data utilization services, “egaku” provides an app developed with Palantir to improve productivity and quality, and supports improvements in the quality of care by visualizing it through data utilization and freeing up time through improvements in operational efficiency due to assistance optimizations via data analysis.

Regarding its professional services, “egaku” strongly supports PDCA cycles for care management, which have the value of providing data utilization services through consultations on management methods and support from specialized personnel that solve operational issues for nursing care businesses made visible through the use of data.



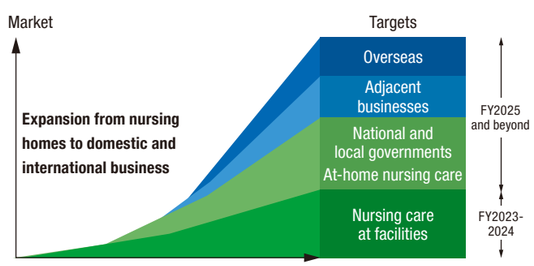
Roadmap

In the two-year business launch period from FY2023 to FY2024, “egaku” will increase the number of companions working to realize sustainable nursing care through the use of data in the nursing care industry while building up a track record of its use both internally and externally. We aim to provide “egaku” to 100 locations in FY2023, and to a cumulative total of 300 locations in FY2024.

In the medium term, we aim to achieve a revenue of 30 billion yen and an operating income of 10 billion yen in FY2030 for Sompo Care by building an at-home nursing care model in cooperation with local governments and expanding overseas. In the long term, we will work on standardizing nursing care quality through joint research with AIST, offer SOMPO’s know-how to nursing care businesses through “egaku,” and aim to establish a system that will become the de facto standard for the entire nursing care industry.

Business launch period (FY2023-2024)

- Thorough service refinement with the help of early adopters
- Further verification and accumulation of results at the Company
- Collaboration and cooperation with various nursing care service providers
- Utilization of the Sompo Group network



Strategy Execution Status

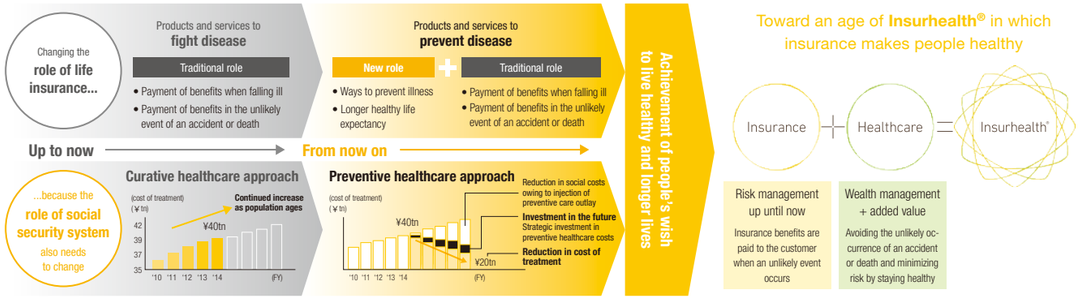
"Building and Making Connections" based on data and other resources

2) Providing New Value through Insurhealth®

New value to customers provided by Insurhealth®

Life insurance originally played a complementary role to the social security system, but its role will change dramatically due to the declining birthrate, aging population, and demographic changes. For example, the Japanese government proclaimed a goal to "lengthen life expectancy" in its Future Investment Strategy 2018, and the public and private sectors are working together to support health promotion and disease prevention for each and every citizen.

Sompo Himawari Life believes that in an era when people live for 100 years, in addition to life insurance's traditional role of preparing for "any possibility," it is important to provide support tailored to the "everyday" health of each and every customer. We are transforming ourselves into a "health support enterprise" to help realize people's desire to live long, healthy lives. To achieve this, we will provide new value in the form of Insurhealth®, a combination of the essential functions of insurance and the health support functions of healthcare.



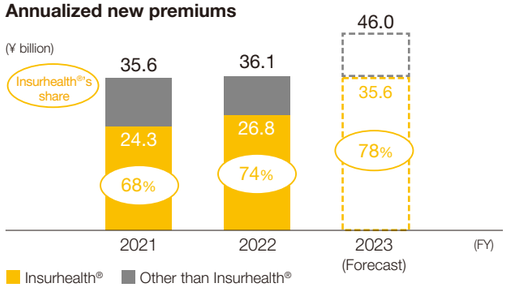
Outcomes

Insurhealth® product sales results

Annualized new premiums*1 continue to grow steadily, driven by the Insurhealth® products launched in FY2018. They account for 74% of our FY2022 sales results. The cumulative sales of Insurhealth® products by the end of June 2023 amounted to 92.0 billion yen with an expansion to 1.3 million policies.

*1 Sales performance basis

Annualized new premiums

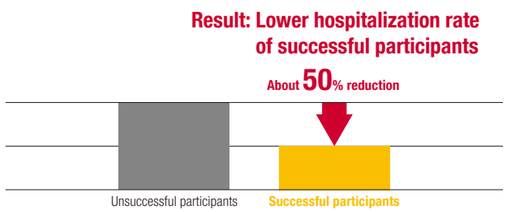


Contributing to the health of customers

The Get☆Healthy Challenge! program*2 has reached a cumulative total of more than 10,000 customers who have succeeded in the challenge in the three years since its launch in May 2020. An analysis of data from the program's customers shows that the hospitalization rate of successful participants is about 50% lower than that of unsuccessful participants, suggesting that the program may prevent the occurrence of future health risks in addition to improving smoking cessation and health conditions (BMI, blood pressure, etc.).

*2 A program in which customers whose health conditions (blood pressure, BMI, smoking status) improve after enrollment can have their premiums reduced, and can also receive an amount equivalent to the difference in premiums retroactive to the policy enrollment date as a gift payment for undertaking the health challenge

Hospitalization rates of successful and unsuccessful participants in the Get☆Healthy Challenge! program



Specific initiatives

Expansion of the Insurhealth® product lineup and health support CX

We have launched a total of 10 Insurhealth® products to date. For the income protection insurance "Jibun to Kazoku no Omamori" launched in April 2018 as the first Insurhealth® product, we introduced the Get☆Healthy Challenge! program, the first-ever program in the industry to support improvements in the health of customers.*3

We also launched the cancer insurance "Health Support Cancer Insurance: Yuuki no Omamori" in October 2021, which offers total support from before onset to post-treatment care through "prevention" in the form of premium discounts for quitting smoking and the promotion of lifestyle maintenance and improvement apps, "early detection" by providing cancer risk screening services, reasonable "coverage" in response to the social security system and the real-life, up-to-date situation of cancer treatment, and "post-treatment care" by providing services for cancer patients, realizing a "new form of cancer insurance."

In addition, "Health Support Variable Insurance Shorai no Omamori," which was launched in May 2023, was the first of its kind in the industry to introduce a "health stage system," which adds to health reserves based on a customer's smoking status and health conditions at the time of enrollment, and a new challenge system, which further adds to health reserves based on a customer's success in quitting smoking and improvements in their health conditions after enrollment.*4

In addition to providing the Insurhealth® products mentioned above, we are also engaged in communication activities (health support CX) to help customers experience better health through the value of these products. For example, in the Get☆Healthy Challenge! program, we continuously encourage customers in every possible way to take on challenges even after they have enrolled, thereby realizing health support. We also provide support to help customers maintain their health after successful completion of the challenge.

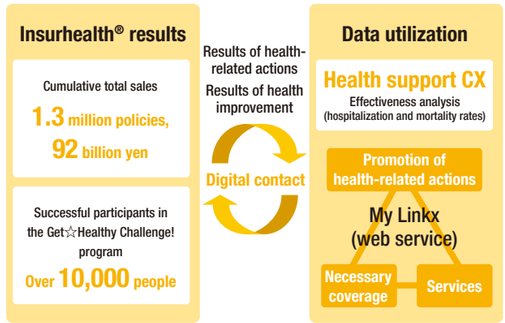
*3 As of March 29, 2018, based on Sompo Himawari Life research
*4 As of February 20, 2023, based on Sompo Himawari Life research

Future actions

Based on the analysis of data from customers who succeeded in the Get☆Healthy Challenge! program, we have found that customers who had undergone changes in their living environment have a higher success rate in the challenge than those who had not.

In other words, it can be said that times when people experience changes in their living environment are also when their health awareness rises and when changes in health-related actions are likely to occur. Going forward, by preparing and utilizing data on our customers, we will communicate with them at the most optimal timing when each individual's health awareness is rising. For example, we started testing the use of the generative AI system ChatGPT for communication with customers. Through such efforts, we aim to improve the precision of communication with customers, which will lead to further support for their health-related actions in the future.

Furthermore, due to digitization, customers can easily access insurance procedures and health care services from devices such as smartphones and computers via My Linkx (web service), our digital contact point with customers. As a milestone to make My Linkx available to all customers, we aim to reach one million registered users in FY2023. Additionally, to further evolve it as a "gateway connecting insurance and health," we will build a system to strengthen the linkage between the respective functions of insurance and health.



Comments from business owner



Yasuhiro Oba
CEO of Domestic Life Insurance Business

As a health support enterprise, Sompo Himawari Life provides customers with unprecedented new value in the form of Insurhealth®. Given the strong sales of Insurhealth® products and the many joyful comments received from customers who succeeded in the Get☆Healthy Challenge! program, we feel that Insurhealth® has steadily penetrated the market and is helping to realize health support for our customers.

In addition, in the 2023 Life Insurance Satisfaction Study conducted by J.D. Power, we were ranked first in the overall satisfaction ranking in the specialized insurance agency category. We believe the fact that we received the highest rating in the three factors of "customer service," "premiums paid," and "products offered" is a reflection of the recognition we have received for our efforts regarding Insurhealth®.

As a health support enterprise, Sompo Himawari Life will have all its executives and employees work together to help as many customers as possible live longer, healthier, and more fulfilling lives by continuing to provide Insurhealth® products and further support customers' health-related actions through the utilization of health support CX.

Evolution of SOMPO's Digital Strategy

SOMPO's digital strategy was launched in 2016 to tackle disruptive innovation in the era of VUCA (volatility, uncertainty, complexity, and ambiguity). Our efforts focused on digital transformation (DX) of existing businesses to improve business efficiency and create new customer contact points using digital technology. Aiming to create new businesses utilizing the vast amount of real data obtained through each of our businesses, we launched the Real Data Platform (RDP) and commercialized it as the Nursing Care RDP "egaku" in 2023.

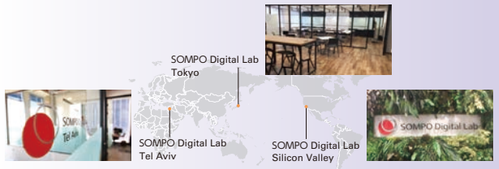
In anticipation of major changes in the near future, such as the advent of the era of Web3 and AI, we created the position of CDO (Chief Digital Officer) in the Group's main businesses and established a CDO alliance to coordinate with the Group CDO. Through this alliance, we will lead the transformation of the Group and continue to take on the challenge of realizing SOMPO's Purpose and continuously enhancing corporate value.

Horizon 1 DX

To take on the challenge of disruptive innovation through digitalization ("digital disruption"), in 2016 we established SOMPO Digital Lab in Tokyo and Silicon Valley and launched our digital strategy.

In addition to acting as an "antenna" to pick up on advanced digital technologies as early as possible, SOMPO Digital Lab was established as a structure responsible for market research and PoC/solution delivery and providing comprehensive support to each business unit.

Recognizing cyber risk as a material risk to corporate management due to the threat posed by the increasing seriousness and sophistication of cyberattacks, we established SOMPO Digital Lab in Tel Aviv (Israel) in November 2017 and entered the cybersecurity business in January 2018.



April 2016
Established SOMPO Digital Lab in Tokyo and Silicon Valley

May 2016
Established Group CDO (Chief Digital Officer) position

November 2017
Established SOMPO Digital Lab in Tel Aviv

January 2018
Entered the cybersecurity business

March 2019
Established the short-term insurance company Mysurance as an in-house digital startup

Horizon 2 RDP

SOMPO possesses valuable and vast amounts of real data on accidents, disasters, lifestyles, health, and nursing care obtained through its insurance, nursing care, and healthcare businesses. Thinking that we can leverage this data to provide new solutions, we started building a Real Data Platform (RDP) that will serve as a foundation for utilizing real data to help solve social issues and realize "A Theme Park for Security, Health & Wellbeing."



November 2019
Established Palantir Technologies Japan jointly with US-based Palantir Technologies Inc.

April 2020
Established joint CDO (Chief Digital Officer) structure

June 2020
SOMPO, Palantir, and Palantir Technologies Japan agree to launch "Real Data Platform for Security, Health & Wellbeing" in Japan

September 2020
Established B-to-B auction business Sompo Aux.

Horizon 3 Era of Web3 and AI

To further accelerate our DX and RDP efforts, we created the position of CDO in each the Group's main business units, and established a CDO alliance to coordinate with the Group CDO.

In the Nursing Care & Seniors Business, we collaborated with Palantir to develop software solutions and developed "egaku" to support Japan's nursing care industry through in-house utilization and collaboration with external nursing care providers, commercializing it in April 2023.

SOMPO will continue to take on challenges in order to transform itself and continue to grow sustainably in the face of the rapid evolution and development of new technologies that have the potential to have a major impact on society such as generative AI and LLMs (large language models), as well as the possibility of the arrival of a new ecosystem (Web3) based on the blockchain and related technologies to replace conventional centralized systems.

April 2021
Capital and business alliance with ABEJA, an AI development startup

July 2021
Established SOMPO Light Vortex, a core digital technology business

April 2022
Created the position of CDO in the Group's main businesses and established a CDO alliance to coordinate with the Group CDO
Started using DX metrics to manage the progress of DX measures and their results

April 2023
Launched "egaku" Nursing Care RDP

2016:
Start of digital strategy

2019:
Launch of RDP

2021:
Acceleration of DX × RDP

Preparing for changes to come

Special Feature 1

Three Horizons of SOMPO's Digital Strategy

SOMPO's digital strategy proceeds strategically through three horizons (stages).

Horizon 1, the cornerstone of our digital strategy, focuses on increasing profits by improving operational efficiency and achieving cost reductions through digital transformation (DX) in each SOMPO business unit.

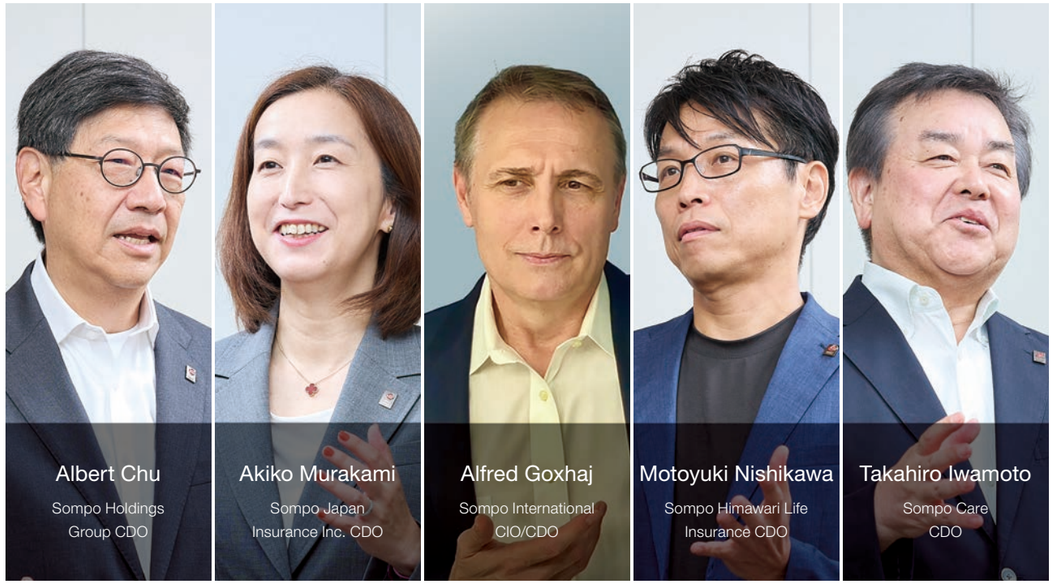
Horizon 2, which looks ahead to the next 3-5 years, aims to create new businesses using data accumulated through DX; that is, to implement a Real Data Platform (RDP).

In Horizon 3, which looks ahead to the next 5-8 years, we are considering various possibilities, including how to introduce disruptive technologies such as AI and Web3 into the mainstream to spur the development of new products and services.

In this special feature, the Sompo Group leaders who drive these three horizons summarize the progress and future prospects of these efforts.

Horizon 1 DX (Digital Transformation)

CDOs invigorating DX at SOMPO



DX in each business unit

Albert The theme of today's dialogue is Horizon 1. Our business unit CDOs are key to our Horizon 1 initiatives, so please outline the initiatives you are taking and progress being made.

Murakami In the P&C Insurance Business, our first goal is to achieve sophistication and efficiency in claim payment and underwriting. This is because the impact of natural disasters has become more severe in recent years, and it is anticipated that insurance itself will not be viable if the same costs are incurred as in the past.

Meanwhile, digital technology has become commonplace in our everyday lives. Going forward, we need a system that not only sells insurance online and through sales channels, but also adapts to our customers' digital behavior and allows them to enroll in insurance as soon as they need it. We must accelerate this behavior shift to online purchasing and create a new insurance purchasing experience. By aiming to create this new digital sales methodology and customer experience, we will streamline our business processes.

Alfred There is a lot of potential in DX but primarily I see it as creating a new business ecosystem that must benefit



all stakeholders in the insurance supply chain while maximizing profitability.

Increasing the value of data is key to that end. The insurance business accumulates a vast amount of data, but to reliably maximize profits, data on all insurance products must be integrated and its value augmented with third-party data.

The next challenge is the digitization and speed of business processes. Almost all business processes that are currently touched by human hands or processed by human brains need to be digitized at speed.

The third challenge is reducing complexity. Complexity can slow process, create friction, and cost money. It may seem contradictory, but I believe it is important to implement less technology and more robust technology.

By 'robust' I also mean improving mobility so that decision-makers can leverage the value of information wherever they are and whenever they need access to it.

Nishikawa The DX we are tackling at Sompo Himawari Life Insurance has two areas of scope. The first area, which I call "offense," involves further refining Insurhealth® and further supporting the health of our customers. The second, which I call "defense," includes streamlining and reconfiguring operations and creating optimal and pleasant customer experiences. During this first year of Horizon 1, we have been reviewing how policy data is managed and exploring ways to explain insurance products using new digital technology. With these activities, I think we are not only producing results in Horizon 1, but also sowing the seeds for results in Horizon 2. Our challenge going forward will be to harvest the fruit from these seeds and use technology and data to deliver real business impact.

Iwamoto At Sompo Care, we are creating a sustainable nursing care system. We therefore started with the ambitious goal of creating a prosperous, long-lived Japan. In the nursing care industry, people of various ages and working styles are passionate about their day-to-day work. Their work is characterized by the need to provide attentive service and keep accurate records at the same time. Since 2017 we have been implementing measures such as centralizing long-term care insurance claims and other administrative tasks and introducing smartphones to document nursing care that occurs on-site. In 2019, we established the Future Care Lab in Japan to begin research on technology and robots that can take over caregiving tasks themselves, such as watching over those who require nursing care. The studies conducted at the lab cover about 200 items per year and are gradually becoming a part of our field operations.

As the birthrate declines and the population ages, by 2040 it is estimated there will be a shortage of 690,000 nursing care workers, so we are actively working on the use of data to achieve operational efficiency while maintaining and improving the quality of care. I believe that by utilizing data, we can contribute to extending healthy life expectancy and reducing social security expenditures by lowering hospitalization and morbidity rates.

Murakami When it comes to data, I see a need for it in all areas. In the P&C Insurance Business, we are promoting the use of data in underwriting.

Sompo Japan Insurance uses Palantir's "Foundry" on a single information platform to efficiently collect historical loss ratios and various other data, and now it can automatically generate underwriting results for simple cases. In the future, we intend to use that data to achieve more advanced underwriting. Furthermore, when a large-scale disaster occurs, insurance claims from customers are concentrated, but with digitalization, multiple people can simultaneously access information and efficiently proceed with claim payment procedures at the time of the disaster.



CDOs' visions for the future

Albert Sowing the seeds of DX and reaping the rewards through the business is very exciting to see. Can you please talk about your visions of how you will harvest what you have sown so far?

Murakami The P&C insurance business is in need of a major transformation, and we would like to make a solid contribution to this through digital technology. My vision for the future is not just to digitize one business process, but to transform the business processes themselves by connecting their data. For example, in addition to utilizing historical policy and claim data used in underwriting and results data from insurance payouts, I want to further accelerate data-driven product revisions and underwriting policy revisions by further utilizing this vast amount of data.

My goal is to make this data available to all employees. From account managers all the way up to executive officers and the President, I think it's important to keep an eye on the data as we proceed with company management and operations. Data connects all of your business processes, which in turn transforms your business processes.

Nishikawa At Sompo Himawari Life Insurance, as we strive to transform into a health support enterprise, a path to success is now in sight. For example, we have clear evidence that the hospitalization rate is reduced by half for customers who use our Get☆Healthy Challenge! program, which lowers your premiums if you get healthier, compared with customers who do not use it. Furthermore, we are constantly upgrading the digital services, or what I call "infrastructure," to support the Get☆Healthy Challenge! program.

Our next challenge is to make this path to success clearer and wider. Specifically, creating a mechanism for customers to change their behavior towards health makes our customers healthier and establishes our brand as a Health Support Enterprise, which in turn creates a new cycle that brings in new customers. To this end, it's important to use data to develop Insurhealth® and services that are tailored to each individual, and to create a system that offers them at the time they are needed. At Sompo Himawari Life, combining internal and external data to create this mechanism is a project for Horizon 2, and I believe that this will lead to the realization of a life insurance Real Data Platform.

Iwamoto When it comes to how to achieve a long and healthy life, we need to make full use of data when thinking about where to focus and what can be done. The first idea is to use the data to recognize changes early and link them to early action to avoid hospitalization. The second idea, taking a longer view, is that now that a large number of users' daily life logs are available, it's possible to infer a person's future situation based on the past record of people in similar situations. We are now beginning to explore, trying to do activities that use this inferred information to help prevent aggravation of people's conditions and support their self-reliance.

Albert That shows the power of data to not only improve the quality of life of our residents, but also the quality of care provided by caregivers. What is your vision for the future of the Overseas Insurance and Reinsurance Business?

Alfred The data is the artery and the blood that provides life to the business. Data-driven decision-making means eliminating subjectivity and making scientific decisions. It should be the key to success and for the company's future growth. At a simple stage, analyzing the causes and reasons for losses can help us develop a better business. At a more developed stage, a comprehensive analysis of data from multiple sources, both internal and external, is key to increasing profitability and improving the structural strength of the business.



But the data accuracy is just as important. We have implemented what we call the Reconciliation Reporting System. A set of complex reports automatically reconciles all of our transactions on a daily basis and verifies that the information is passed correctly between business applications. It is a system that allows us to notice errors in real or due time by automating and reconciling everything.

CDO alliance

Albert Thank you all. One of SOMPO's uniqueness is that everyone of us as CDOs has our own vision, points of view and initiatives. We formed the CDO Alliance to harness our combined DX expertise and foster cross-functional collaboration in digital and data. I would like to ask you about the strength of our CDO Alliance collaboration and how we can all contribute to the Group.

Murakami The term "Insurtech" is used to describe technology related to insurance, but if you look at its elements and technologies, it is by no means limited to insurance. For example, many of the technologies, including making decisions by looking at images and interacting with customers using avatars, apply not only to insurance but also nursing care and other fields. I would like to share these technological trends and the results of our PoC (proof of concept) tests within our CDO Alliance.

Alfred The first that comes to mind is sharing ideas and successes. In addition, we can learn a lot from other industries. We have had our fair share of success in the insurance and nursing care industry, but there is only so much we can take or learn from these industries. We should learn from other industries, incorporate the lessons from them into our solutions, and evolve them. I believe this will open up an even greater horizon for us.

Nishikawa One nice thing about the CDO Alliance is that it lets us simulate the successes and failures of other businesses' efforts, learn from them, and apply them to our own efforts. Another is that we can cooperate in the development of human resources. If we can learn what others are doing through exchanges among members working on DX in each business unit and bring those ideas back to our own companies and develop them, we can create an environment that enables faster progress in human resource development.



Iwamoto If you want to start using generative AI, for example, it should be possible to share know-how and examples pertaining to the health of seniors between the nursing care and life insurance businesses. I hope that such ideas will be discussed and fleshed out within the Alliance, and I look forward to working on them together.

Albert As another important perspective, what do you think could be done to reach out and promote digital transformation to our colleagues who work in areas other than our digital department?

Iwamoto It's not easy to get people to use a digital device just by saying "Here, use this." However, when you tell them, "Using this will bring such-and-such benefits to the users you are in charge of," they will be more likely to use it. We need to learn the power of communication.



Nishikawa The reason why people use digital is that there is some problem that needs to be solved in the field. I think we need to demonstrate that the digital solution is effective at solving their problem, no matter how small it may be.

In that sense, the ability to communicate, as Mr. Iwamoto mentioned earlier, is also important. The magic formula is to create a number of small successes to give them a sense of purpose and accomplishment.

I think it's important to solicit ideas from everyone and inspire a movement under the banner of "Let's try something, it worked, let's do it again!"

Alfred In our case, it's been a little bit different. The culture in our company is that people are insatiable when it comes to technology. They can't have enough. The problem is that technology doesn't solve every business problem. We try to make AI especially, work on the most difficult problems, but we also highlight them that it can be risky if not used properly. Another problem in our side in the digital department is what to pick, what to choose, how to attack the area where the benefits are the greatest. We are past the stage of impressing upon users that technology is great. We are at the stage where teaching them that it is risky if they don't comply with regulations and compliance.

Murakami Listening to Alfred, I was thinking that the problem is that people don't want to change what's working right now.

To overcome that barrier, we need to lower the barrier to having machines do part of the process for simple cases. This will free up time for people to work on the more difficult cases and higher value-added work. It's possible that AI will do very advanced things in the future, but it is important to build trust that people with expertise will ultimately confirm whether it is correct and that technology will be integrated and utilized in a way that ensures that people are doing the things that only people can do.

Making the Data Business a Reality

Future of Nursing Care Realized by the Nursing Care Real Data Platform “egaku”

In Horizon 2 of its digital strategy, we will develop new businesses by utilizing various data accumulated through DX. Since the Real Data Platform concept was first proposed, we have been making Group-wide efforts to implement it. Finally, the service was launched as “egaku” in 2023.

This section presents a discussion on the topic of “egaku” and the future of nursing care between Ken Endo, CEO of the Nursing Care & Seniors Business, who is leading the realization of Horizon 2 with “egaku” and Tsuneya Matsuyama, President and Representative Director of ND Software, which is participating in this ecosystem as a partner.



Ken Endo
CEO of Nursing Care & Seniors Business



Tsuneya Matsuyama
President and Representative Director
ND Software

Background of the development of “egaku”

Endo In Japan, the demand for nursing care will continue to rise steadily due to the increase in the number of people requiring nursing care as the population ages. Meanwhile, the working-age population, including those who provide nursing care, will continue to decline. According to an estimate by Japan’s Ministry of Health, Labour and Welfare, the gap between labor supply (personnel providing nursing care) and demand (from seniors in need of nursing care) is expected to expand to 690,000 by 2040.

Japan’s nursing care system is a wonderful system unparalleled in the world, with various types of services, including facility-based and home-based services, arranged all over the country, from Hokkaido to Okinawa. My concern is that such a system will become unsustainable due to the widening gap between the supply of caregivers and the demand for them.

The development of “egaku” was driven by the desire to do something about this situation and to provide an ecosystem to save nursing care in Japan.

Matsuyama ND Software contributes to the sound operation of nursing care providers and supports the nursing care insurance system by providing software for office management and on-site operational support, with a focus on nursing care and welfare. Closing the gap between supply and demand for caregivers is a very important issue that we must address.

We need to increase the appeal of the nursing care industry, which has to compete with other industries for talent. Otherwise, the gap between supply and demand for caregivers may expand beyond the estimate from Japan’s Ministry of Health, Labour and Welfare. As for how to increase the appeal of the nursing care industry, these four improvements are necessary: staff compensation, job satisfaction, quality of care, and productivity. And the key to these improvements is the use of IT and digital technologies. I believe that “egaku” will enable us to “visualize” nursing care, leading to better staff compensation, job satisfaction, and improvement in quality and productivity of care.



Data-driven ecosystem

Endo It is said that there are 60,000 nursing care providers in Japan, but the market share of the five largest companies, including ours, is about 3%, so it’s an industry dominated by small and medium-sized businesses. We are working to expand our facilities and business sites, but simply expanding the size of our company is not enough to change the entire nursing care industry and revolutionize the future of nursing care in Japan.

However, Sompo Care has daily record data for 80,000 clients and more than 20,000 employees—in other words, real big data. Analyzing this data will surely reveal something. If we can use this data to help our clients, and if we can build and provide an ecosystem for our efforts in the nursing care industry, I believe we can change nursing care in Japan. With this in mind, we decided to proceed with detailed investigations.

That’s when the partnership with Palantir started and the Real Data Platform (RDP) concept was launched.

Matsuyama ND Software, like the Sompo Group, is a company that has been pursuing “Security, Health & Wellbeing” in nursing care and disability welfare facilities. Our goal is to use our system to support nursing care and disability welfare facilities to achieve “Security, Health & Wellbeing” for our clients. And our employees are strongly motivated to pursue happiness not only for businesses that use our system but also for more nursing care and disability welfare facilities and clients. This is perfectly aligned with the Sompo Group’s Purpose.

We were the first software company to join the Sompo Group. I believe that by joining the Group, getting involved in actual business operations, and providing solutions that utilize real data, we can help increase productivity, profitability, staff compensation, and job satisfaction, as well as increase recruitment and reduce turnover. This will help communicate the value of new solutions created by a partnership between companies with real data and IT, DX, and software companies. If more and more IT, DX, and software companies around the world say, “we want to work with SOMPO,” I think this will lead to transformation in those industries too, not just the nursing care industry.

Value created by “egaku”

Endo Our plan for “egaku” calls for net sales of 30 billion yen and operating profit of 10 billion yen by fiscal 2030. Another important thing is the social value that “egaku” creates.

We estimate that by closing the supply-demand gap of about 220,000 caregivers, “egaku” can generate social value of about 3.7 trillion yen by 2040, and we aim to achieve that goal.

And as “egaku” increases productivity, this will free up resources to improve the compensation of all employees working in the nursing care industry. The ultimate goal is to increase the appeal of the nursing care industry by creating this kind of virtuous cycle throughout the industry.

To this end, we will make “egaku” the de facto standard in the industry. In other words, I believe that if we can reach the point where nursing care providers can’t imagine losing access to “egaku,” we can bring about a major change in the industry.



Matsuyama From my perspective, the great thing about “egaku” for nursing care sites, which currently rely on paper records and where data exists in different places, is that it a system that transforms their paperwork-centered operations into data-driven, operation-centered management.

The on-site management know-how accumulated up to now can be converted into data, and this data can be used to improve operations and care services. There is also the issue that some nursing care recipients and their families see a lack of respect for their wishes when they look at the current way of doing things. There are many providers who want to move away from the uniformity of care, where services are left to the whims of the providers and everyone receives the same services.

The “egaku” system can support the operation of such nursing care, greatly contributing to the ideal in which each person is able to receive the nursing care he or she wants.

For example, the data on the time spent on care might show that person A receives above-average care, while person B receives below-average care. This observation could indicate that person A might be receiving excessive care, potentially hindering their independence, while person B might not be receiving enough care. This kind of

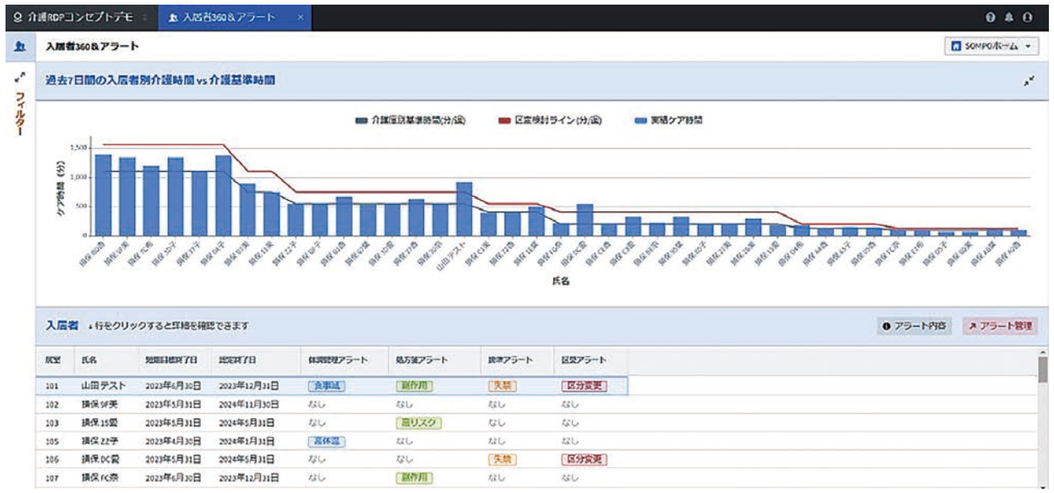
Making the Data Business a Reality
Future of Nursing Care Realized by the Nursing Care Real Data Platform “egaku”

analysis makes it possible to provide individualized care tailored to each person’s needs. Nursing care that has traditionally depended on the intuition and experience of individual staff members can be “visualized” and linked to operations. This is the great thing about “egaku.”

Endo I agree with you. To give an example of what “egaku” can do, if a facility has 70 clients, for example, 70 names will appear on the screen, and their weekly time spent on care can be viewed in comparison to the standard time spent on care. This means that we can see at a glance which clients are requiring more than the standard amount of time spent on care. These cases may be relevant to assistance with eating or going to the toilet. For example, in the case of assisting with bowel movements, maybe you go to their room but find that they aren’t ready to go yet, or maybe you discover they are suffering from incontinence.

In short, there may be many reasons why the time spent on care is out of sync. Once the cause of the problem is identified, a solution can be found, such as shifting the time of day for bowel movements. What used to be locked away in the minds of the staff now becomes visible, and you can see the whole picture.

Screen shot of “egaku” (partial)



Matsuyama In some cases, staff can even hinder their client’s independence. For example, maybe a staff member is helping you change your clothes, when you could manage it by yourself in 30 minutes. This can also be visualized by “egaku,” which can improve the quality of care by enabling individualized care. With “egaku” we can provide care that respects the dignity of the individual and is tailored to the wishes of the client.

Endo When Sompo Care approaches facilities that provide uniformity of care, we advise them to change this style of operation. We encourage them to adopt “egaku” to visualize the nursing care provided at their facility and help them switch to personalized care.

Response to “egaku”

Endo The early adopters outside of Sompo Care are implementing “egaku” so that management can increase productivity while not compromising the quality of care, which will ultimately lead to more efficient staffing and improved compensation. They understand the need for this and what it will take to make it happen.

When “egaku” is deployed in the field, home directors, staff, and other front-line nursing care workers must change their existing operations. Resistance to this change is the challenge. It is important that each person on site understands what it is we are doing and why we are doing it. To that end, the first priority is to create a large number of “success stories.”

As you can imagine, our own facilities are the ones that are responding the best right now. They use “egaku” a lot. Home managers, care conductors, and others in leadership roles have a strong sense of its usefulness. The next step is to bring the rest of the staff on board. It is important to spread and deploy it in a way that makes people feel motivated and comfortable working with it.

I believe that increasing the number of these success stories outside of Sompo Care is the most important way to spread “egaku” throughout the industry, so we are now working on the goal of introducing “egaku” at 100 business sites in fiscal 2023.



Also, although many establishments in Japan have installed software for handling nursing care insurance claims, competition for nursing care record systems is fierce, making it a battle over the user-friendliness of each system. Looking ahead to the future development of “egaku,” my hope is that ND Software will increase our advantage in nursing care record systems and increase the synergies with “egaku.”

Future prospects

Endo Fiscal 2023 will be a very important year. As I mentioned earlier, our challenge is to expand the number of businesses that are happy they introduced “egaku.”

ND Software has a high market share in specialty nursing homes, and I believe that if we succeed in making a case for using “egaku” there, deployments will accelerate.

It’s not enough for Sompo Care to say that our system is good; the most important thing is that people hear it from other companies in the same industry, which will be the engine for promoting “egaku.”

In addition, many people receive nursing care at home, not in institutions. How to introduce “egaku” there is the next challenge. In a facility, we can collect data 24 hours a day, 365 days a year, but we have contact with people who receive nursing care at home only a few times a week.

Currently, smart cities and special digital health zones are being developed all over Japan. This is a healthcare data platform that connects medical and nursing care led by local governments. These platforms are created by the local governments, and the data is gathered there. Deploying “egaku” there is the key to success in the home-based sector.

Some local governments have already started collaborating with us. There are also local governments that started collaborating with Sompo Japan Insurance as a result of the regional cooperation agreements that Sompo Japan Insurance is promoting across Japan. Local governments in Japan are facing serious problems of aging and declining population. I think they can benefit from effective use of technologies like our recently launched “Care-ale,” a new smartphone app we developed for home-based care that makes it easy to share physical conditions and daily events.

By improving the productivity of the nursing cares business, “egaku” enables everyone to receive nursing care. As a result, fewer people will need to leave work in order to care for their relatives, and even if the number of nursing care staff does not increase, we can still contribute to closing the supply-demand gap of caregivers, which is a major social issue, and generate social value of about 3.7 trillion yen. I want to make this a reality.

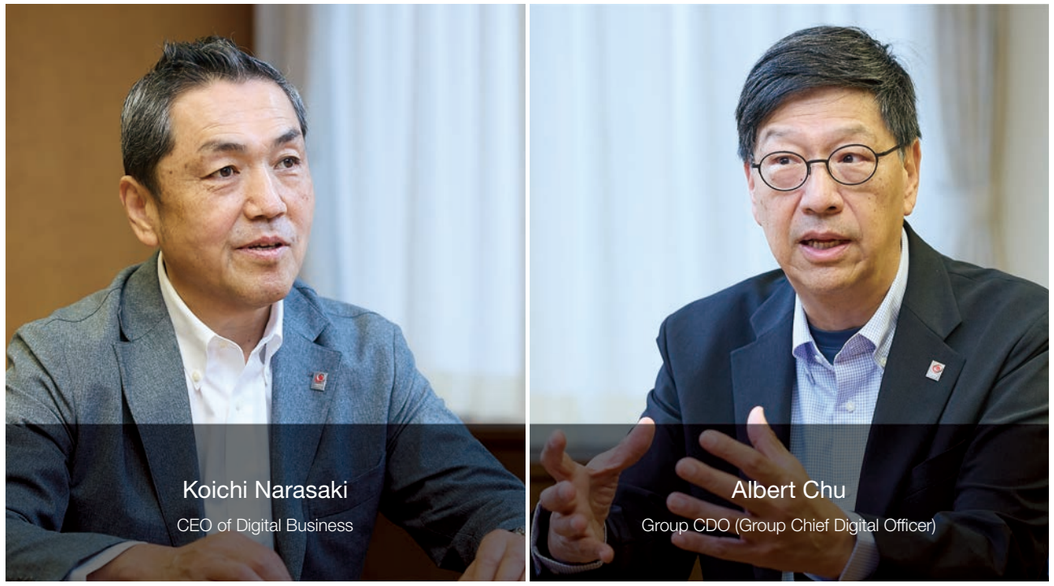
Matsuyama ND Software aims to become the software company that can best support nursing care and disability welfare facilities in Japan in order to solve the problem of nursing care in Japan. What we need to do specifically is to bundle our current software with “egaku”; in other words, to create a system that works well with “egaku.” In particular, we aim to use our nursing care records system to acquire a variety of data from the field and build a system that can improve operations.

We are determined to do our best to contribute to reducing the burden on nursing care sites, thereby improving the productivity of the entire nursing care industry and the sustainability of the outstanding nursing care insurance system that Japan is so proud of.

Endo Our medium- to long-term challenge is to expand overseas. Supporting overseas nursing care providers in their business operations through “egaku” is one way to do this. In particular, we are seriously considering providing education and training know-how.

The “egaku” system is based on real data, and some regions have strict regulations on acquiring personal information overseas, but I hope we can overcome these problems and provide the world with value that only SOMPO can offer and that only SOMPO can deliver.

Strategies for Coming Disruption



Current state of digital industry

Narasaki We have talked a lot about Web3 and AI, but what are your thoughts on Web3 and AI in the three horizons of the Sompo Group's digital strategy?

Albert The beginning of technological innovation in Silicon Valley is, as the name suggests, silicon. There have been several technological waves since then, including the PC, the Internet, and mobile devices. The next wave that we can clearly see now is Web3 we and AI. Web3 differs from the existing internet (Web2.0), which is based on a few tech giants, who dominate the majority of search, e-commerce, social media and how we interact with the internet. Web3 will transform the way we utilize data. Web3 is powered by technologies like blockchain and smart contracts, which will make the world more decentralized and transparent.

Web3 brings changes to many industries. In a Web3 world, everyone owns their own data and will choose who can have access to the data.

The exponential growth of AI in the past year can be attributed to generative AI, which can generate large-scale language models.

We build a model using data published on the Internet as training material. There is so much information on the internet that any question you ask an AI chatbot will almost certainly be answered. You may not know what is right and wrong, yet they give good answers.

Narasaki Interesting, isn't it?

Albert The ability to produce new sentences, such as Shakespeare-style essays, is an example aspect generative AI.

Narasaki In Shakespearean style?

Albert Right. I believe that generative AI will have an impact on a wide range of businesses, including finance, insurance, healthcare, and even content creation and entertainment. For example, in the field of customer service, many customers phone the call center or use chat applications to get information, all of which can be done more efficiently with the help of generative AI. In other words, it is feasible to construct an AI model that can deliver more accurate and faster answers by creating a database of all the information that the company has, such as how to repair it, and having the AI learn from it.



When a customer asks a very difficult question, generative AI can assist customer agents respond swiftly.

Narasaki Since everything is dispersed and there is no center of gravity, there is no need for tech giants there. AI will also be open-sourced, commoditized, and free to use. The asymmetry of value and information in the conventional software model will be broken. In other words, real data obtained from actual business is important on the user side.

Albert Absolutely. Experts in the relevant subject matter of that data are required to collect real data. So our expertise is an asset.

Narasaki Exactly.

Albert Many people are concerned that AI may cause them to lose their jobs. However, in my opinion, AI can assist people do their tasks first, making their work more efficient. Because AI can integrate real data with a vast amount of experience and knowledge, it will benefit professionals. But in the end, final decisions on specific tasks will need to be judged by the professional. As a result, I believe that professionals are still very vital and they will use AI as a productivity enhancer.

Narasaki Like it or not, the paradigm shift brought about by AI is a huge disruption. I think SOMPO is better prepared for the coming disruption than other companies. How are you dealing with disruption?

Albert We're ready because we anticipate disruption, which is why we take a three-horizon digital strategy. Horizon 1 is DX (Digital Transformation), and Horizon 2 is the utilization of the data generated from it to create new business opportunities. Horizon 3 is about projecting disruption through specific technologies that will change the industry, such as blockchain, smart contracts, and AI. So we're now preparing to understand these disruptive technologies, experiment with them, bring them into our daily use cases to see how we can improve our productivity and create new services based on Web3 and AI.

Thus, because we have a vision for the future, we can be prepared for transformation and disruption. But it's hard to work to realize our vision.

The superiority and uniqueness of SOMPO's digital strategy

Albert Over the past years, SOMPO has demonstrated its commitment to implementing its vision and digital strategy. Palantir is one example of this. We've realized that data is critical, but we need a modern, best-in-class platform to ingest and analyze all of that data. And as Mr. Narasaki, CEO of Palantir Technologies Japan, is well aware, we not only do capture data, but we also effortlessly transfer it into Palantir's Foundry. You can now create new analysis and tools that can accelerate towards this new disruptive world of Horizon 3.

Narasaki The first is nursing care. The Real Data Platform "egaku" is based on Palantir's Foundry. Currently, generative AI is being built on top of it, and the knowledge of experts and specialists in specialized fields can be incorporated into "egaku." You can take advantage of the expertise of specialists in this area. It will revolutionize the care industry, including home care, so that everyone can benefit.

In addition, in the underwriting of non-life insurance, we are already showing significant improvement in profitability through "Foundry."

Albert SOMPO is expanding globally and creating exciting opportunities worldwide. AI and Web3 are global technologies — not just Japanese or American. As a result, the tools and models we develop can readily become global, accelerating our ability to work worldwide more



quickly and efficiently. “Oshiete SOMPO!” and “Oshiete Himawari Life!” are examples of where we are using AI today. Can you tell us more about that?

Narasaki “Oshiete SOMPO!” and “Oshiete Himawari Life!” are an internal FAQs that provide sales employees and agents with answers to all questions about insurance products, including detailed terms and conditions. They incorporate AI technology to provide an easier user interface. Like a smart friend, you can ask, “I’m in this situation, what should I do?”

Albert Earlier, I mentioned that SOMPO has a global footprint. In addition, we have SOMPO Digital Labs not only in Tokyo, but also in Silicon Valley and Tel Aviv, creating global tech ecosystems for SOMPO. What are your thoughts on our global network?

Narasaki Our global network, Palantir, and strategic partners such as ABEJA, which went public in June 2023, enable us to leverage each technology. And at the same time, we have a common vision, and there are probably other start-ups and other allies.

Albert Another great asset we have are the business unit CDOs inside our Group. The CDOs of Sompo Japan Insurance, Sompo International, Sompo Himawari Life Insurance, and Sompo Care, together with SOMPO Light Vortex and SOMPO Digital Lab, have formed the CDO Alliance. Through this CDO Alliance, we can collaborate and develop synergies across all digital and data initiatives.

For example, all CDOs are working on AI initiatives. Because what one business CDO is doing with AI can be applied to another business, different AI cases can be shared and collaborated across businesses — and also being to create new solutions. This not only eliminates the need for businesses to start from scratch, but it also opens up new potential beyond what each CDO can do on their own.

Narasaki “egaku” is a pioneering example of this. Mr. Iwamoto, CDO of Sompo Care, is working on RDP for Nursing Care, and together with us, he came up with a service that could meet the needs of people outside the group. This is the first successful example, and I think there will be more in the future.

The other is Palantir, Palantir Technologies Japan. For them, SOMPO is one of many Japan customers and a pilot customer case.

Albert Essentially, we realize the power of real data. With AI and Web3, we go beyond SOMPO and can provide these solutions to rest of the industry. It’s important to have this vision, isn’t it?

Narasaki You are right.

Albert “egaku” has already started to build a platform for the nursing care industry. Mr. Sakurada’s vision of creating platform-driven business is being realized and deployed.

The world is flattening because it is becoming more global. If someone makes something in the U.S. or Japan, it can be sold it all over the world. I think technologies like AI and Web3 are creating a more digital, flatter world.

Narasaki Let’s see. Everything is flat, blockchain and decentralized, so if you make something as software, whatever solution it is, you can sell it to anyone in the world without any hurdles. That’s how a flattened world works.

Albert This, I think, can also be applied to insurance. As a global property and casualty insurance company, SOMPO may be able to develop next-generation insurance products based on new technologies such as blockchain, smart contracts and digital payments.

Narasaki Insurance underwriting itself will be entirely AI-based, making it simpler and more comprehensive in terms of user experience. Even the framework of insurance products may become more sophisticated and provide complete coverage of all risks, even invisible ones.

What’s next?

Albert A SOMPO LLM (Large Language Model) platform, for example, may create intelligent assistants for care workers and their work in the nursing care sector. As we mentioned earlier, we may be able to establish a platform and APIs that are open for third parties to create new products and services. And while you can help them in accelerating their vision, you also can participate in their business model.

Narasaki In this open platform-like effort, I think LLMs can use APIs to interface beyond silos and leverage each other’s capabilities. The platforms are independent in a way, but still interconnected. So it’s like a cloud archetype, and basically it helps everyone who uses them to be a winner.

Albert SOMPO addresses social issues not only in Japan, but around the world. Ageing is not simply a concern in Japan; it will become even more prevalent in other countries in Europe, the United States and China in the near future. The platform we build must be global in scope to create an ecosystem.

Narasaki We will build an ecosystem on which application services for several different industries will be implemented. That’s the image, isn’t it?

Albert What we can do is leverage AI and Web3 to solve social issues while also benefiting SOMPO’s customers. That, I believe, is our role in the advancement of AI and Web3.

Narasaki I think we are very lucky. We have real data, we have a traditional business in a good way, we have customers and we have enormous resources.

Coupled with the advent of Web3 and AI, I think our future is very bright.

Albert Indeed, with Web3 and AI, we are now like where the internet stood 25 years ago. In 1998, Yahoo, Amazon and Google had just started. It’s astounding to witness how much change has taken place since then. This serves as a strong reminder of the rapid pace at which the future unfolds. To successfully navigate this journey, we much always be on the cutting edge, be agile and adaptable, see what’s happening and incorporate it into our vision. I think that’s a point of differentiation for SOMPO, as we set ourselves apart with our digital vision.

Narasaki That’s a very good point. We have a lot of experience and we bring positivity to SOMPO.

I consider myself very lucky and grateful to SOMPO and its purpose, as well as the decision that SOMPO made to establish a digital division seven years ago.

Albert I, too, am grateful. When I worked at Apple was, one of my mottos was “The journey is the reward.” We’re on this journey together. It’s not just the destination that’s important, it’s the journey itself. And this fits very well with my purpose. My purpose is to harness technology to change society. I believe that by taking this journey together, we can once again change the world.

Narasaki Also, my purpose has always been altruistic to benefit others. The basis of insurance is to benefit society, and that’s why I do that. I am proud to be in SOMPO.



Value Creation Cycle
— Common Framework to Realize Purpose —

At the core of the Sompo Group's business management is its Purpose, which is to "create a society in which every person can live a healthy, prosperous and happy life in one's own way with a Theme Park for Security, Health & Wellbeing."

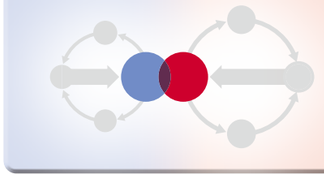
Based on the "Value Creation Cycle," which serves as a common framework across the Group, our diverse businesses connect and collaborate across business boundaries under a single "Theme Park" strategy, and our employees, who have diverse backgrounds, use My Purpose as a starting point to maximize their individual strengths and implement initiatives for the realization of Purpose.

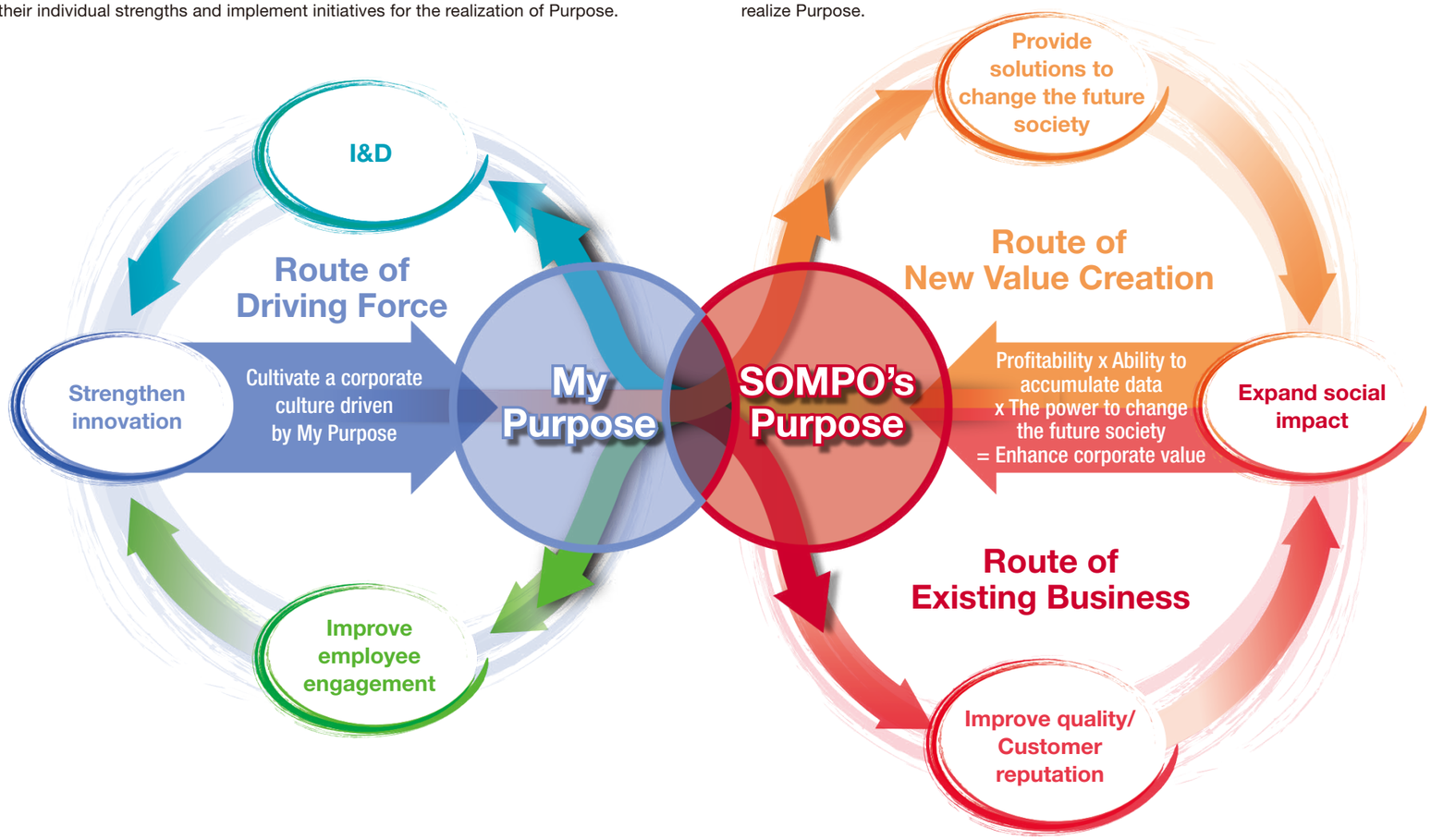
The "Value Creation Cycle" consists of three parts: the Route of Driving Force, which is driven by My Purpose; the Route of Existing Business, which aims to improve our reputation with customers by providing high-quality services; and the Route of New Value Creation, which works to provide solutions to change the future society.

The continuous creation of value through this three-part cycle is the means by which we increase our corporate value and realize Purpose.

My Purpose and SOMPO's Purpose

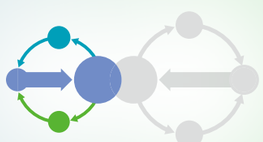
We are working to spread the Purpose concept and voluntary efforts to achieve it among all Group employees by overlapping "My Purpose," which signifies each employee's life goals and meaning of their work, and "SOMPO's Purpose." As a result, we aim to realize SOMPO's Purpose by linking our employees' sense of fulfillment and happiness to the creation of innovation through their daily work as they take on challenges in their own way.





Route of Driving Force

We respect each other's My Purpose and recognize each other's diverse values. In such a workplace full of I&D* (Inclusion & Diversity), each employee works with high engagement, feeling a sense of self-worth, happiness, and fulfillment. Then, driven by My Purpose, they repeatedly take on challenges and create innovations. This fosters a culture in which this behavior becomes the norm and the driving force for the realization of Purpose.

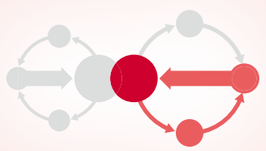


Main initiatives

- Town hall meetings by the Group CEO
- My Purpose 1-on-1 meetings
- SOMPO Awards

Route of Existing Business

Employees driven by "My Purpose" are working to develop and provide high-quality products and services in existing business domains, such as insurance and nursing care, by enthusiastically engaging in cooperation with partners and shifting to high value-added operations through business innovation. Through business activities in these existing business domains, we aim to foster trust and empathy from our customers and achieve steady growth and further development of our businesses.

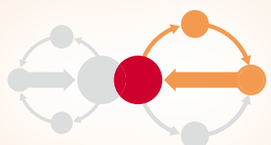


Main initiatives

- Global top-line growth
- Earnings structure reform in the Domestic P&C Insurance Business
- Creation of conglomerate premium (One Sompo)

Route of New Value Creation

SOMPO will attract cooperation partners by utilizing its abundant real data obtained from various business activities of its existing businesses, and will provide solutions for the problems encountered by future society through DX and SOMPO's unique business model RDP, thereby creating impact.



Main initiatives

- "egaku" Nursing Care RDP
- Health support through Insurhealth®

* Inclusion is important for respecting and acknowledging each employee's diverse My Purpose and characteristics, and having them fully demonstrate their unique abilities, which will lead to innovation. In order to express this meaning, this part uses the acronym I&D for diversity and inclusion (D&I).

Special Three-Way Discussion

Human Capital Management for Enhancing Corporate Value



Kazushi Ambe

Joined Sony in 1984. Served as Vice President of Sony Ericsson Mobile Communications and Senior Vice President of Sony Corporation of America, among other positions, before becoming Corporate Executive and then EVP & Corporate Executive Officer at Sony in 2016. Became Executive Vice President & Corporate Executive Officer in 2018 and has served in his current position since 2020. Mr. Ambe is leading a human resources strategy to help every employee grow and take on challenges to achieve Sony Group's business purpose, to "Fill the world with emotion, through the power of creativity and technology.," based on its corporate culture of valuing diversity and an equal relationship between the company and its employees.

Chiharu Takakura

Joined Japan's Ministry of Agriculture, Forestry and Fisheries in 1983. After working as Associate Director of the Human Resources Department at Pfizer Japan Inc., she became General Manager of Global Human Resources at Ajinomoto Corporation in 2014, and then Director and CHRO at Rohto Pharmaceutical Co., Ltd. in 2020. Has served in her current position since 2023. Also serves as an outside director of Mitsui Sumitomo Insurance, Nomura Real Estate Holdings, and Niterra. Ms. Takakura has been leading human resources strategies at global companies in Japan and overseas for more than 25 years. In recent years, as an opinion leader in the human resources field, she has promoted the development of diverse next-generation human resources, for example by focusing on the concept of "Will," which refers to allowing each individual to determine what kind of value they want to provide to society through their career.

Paradigm shift

Ambe A paradigm shift is taking place today that is making talent a focus of attention. Companies are trying to maximize the potential of each individual employee, which I see as an inevitable result of changes in the social environment and a common awareness of the issues shared by all companies. In addition, because the business environment remains challenging, everyone has a higher sense of urgency than before, and everyone wants to make their own choices and act on their own. This is the change we've been witnessing. This is an opportunity for companies, and I believe that seizing it will open up enormous possibilities. Since its founding 77 years ago, Sony has continued to uphold the spirit of its founder, and has always made individual initiative the core of the company's growth. We are going back to the basics once again and trying to link individual growth to corporate growth.

Takakura I have been involved in the human resources world for about 25 years, and during this time, I have seen a shift in thinking about human capital. Twenty-five years ago, employees were viewed as a resource, but since then, the idea of human "assets" has spread, and concepts such as human resource management, talent management, and succession plans have emerged.

Furthermore, over the past 10 years, employees have become a form of "capital." Since it is people who create value when creating new things, I believe that the challenge for management has become how to generate value by investing resources in these people.

What I think is important is how to respond to rapid advances and changes in technology and other circumstances. Among these circumstances is the shortage of workers, which means the value of each individual is becoming more and more important. In the younger generation especially, values about work are changing, and they have a new consciousness that they want to do something for society. Hence the term "ESG native."

Hara The world has changed, and we live in a time where we must focus on the individual. At SOMPO, we have our Purpose, which represents what is necessary to remain an essential organization for society and continue to thrive.

We used to expand our business and grew with our customers, buoyed by the rising population and economic growth. Yet, the demographic shift to "fewer children and living longer" reality changed how society works – along with technological advances. We wondered, "Is our conventional business model a fit for society? Would it be enough to stay solely with insurance?" The vision for innovation kicked off at that point, where we realized that it was time to expand into other fields and change how we offer insurance. We wanted employees and the organization to take on challenges to make the innovation happen. Building an organization and seeking out individuals who enjoy a challenge – that's what our human capital management aims for. Build an inclusive culture that encourages innovation. Every employee keeps their engagement high and takes on challenges. That is the goal of SOMPO's human capital management.

Human capital management initiatives

Hara The first step we took toward practicing human capital management was to shift their thinking about "work." We encouraged employees to change their perception from "I am there for the company." to "The company is there for me." We then began MY Purpose to embody that initiative. Let's look at the company as a stage. Employees are encouraged to describe what they want to accomplish and cherish most in life. They will play the role on the stage represented by the company.

As an intangible measure, we organize "Townhall Meetings," where the Group CEO delivers messages interacting with employees. We also implement "MY Purpose 1-on-1 meetings" where managers and their members have interactive sessions. We have also established a cross-Group "SOMPO Award" to encourage challenge and innovation through My Purpose, and we celebrate each other's efforts under the slogan "A Cheer for Every Challenge." Through these efforts, we strive to transform our corporate culture into one that is full of challenges based on My Purpose.

Regarding tangible structures, we need systems to enable people to develop their careers to realize My Purpose. Therefore, we are expanding the job-based employment and job posting systems to encourage self-driven work styles.



Takakura Over the past 20 years, Rohto Pharmaceutical has grown steadily from 500 to 1,700 employees and from 50 billion yen to over 200 billion yen in sales. What makes me proudest is the fact that we have continued to launch new businesses. We went from being an eye drop company to making skin care our main business. Nowadays, focusing on health inside the stomach, we operate a farm and make and sell hamburgers and other processed foods, and are even entering the field of regenerative medicine.

The key to launching new businesses is the philosophy that has guided Rohto since its founding: "There is no business without people." It's a little old-fashioned, but we have a very flat organizational culture, with things like sports days, company trips, and birthday cake parties. Because Rohto has always put people at the center, valuing people as individuals regardless of organizational boundaries, a "hand-raising" culture that values employee initiative has taken root and even younger employees can express their opinions. In such a culture, you can even apply for promotion on your own rather than waiting for promotion from your boss. The goal is to find a place where the purpose of the individual intersects with "Connect for Wellbeing," which is the company's purpose and philosophy.

About eight years ago, we also started allowing employees to pursue jobs and businesses on the side. This is due to our Chairman's belief that "employees are not the property of the company." The idea is, since they're not our property, let's let them do what they want to do and work energetically outside of the company.

The core of the human resources system is that employees should be professionals. This is a difficult task, but we must create value for society, not for the company. Therefore, at Rohto, we do not look for needs in our careers, but work to create needs on our own, considering the future value to society of our solutions.

During my time at Ajinomoto, we presented awards for best practices, similar to the SOMPO Award, after gathering examples from around the world of people promoting our slogan "Eat Well, Live Well." I think it is very important to bring people into the limelight and recognize them.

Special Three-Way Discussion

Human Capital Management for Enhancing Corporate Value



Ambe When running a business, we have many assets at our disposal: financial assets, branding, intellectual property, and technology among them. However, one asset in particular, namely talent, is special in terms of being difficult to quantify and visualize and requiring a long time horizon. Above all, because people have agency and ego, they are not like other resources that management is free use however it sees fit. Precisely because of these characteristics, I see great potential in coming to terms with this form of capital we call "people." Synchronizing "people" as a form of capital with the direction of management requires a certain level of expertise, and I believe this is what is now being asked of human resources departments. I believe that this represents an opportunity for us to increase the value of the human resources function.

Inevitably, we must reexamine the relationship between employees, who have agency and ego, and the company, placing them on an equal footing. Dialogue is important to ensure that employees feel empowered and motivated by the work they are assigned to do. The structures and systems that make up and embody Sony's culture can be broadly divided into two categories: systems in which the company encourages employees and systems in which employees exercise their own judgment. One system continually asks, "Do you have the desire or interest to take on this kind of challenge?" while the other continually asks, "Please tell us your current thoughts and judgments." At SOMPO you routinely hold town hall meetings and give SOMPO Awards. Trying to maintain an equal relationship requires you to continue to show respect for individual autonomy, and this is also a form of dialogue in a broad sense.

Hara As you say, dialogue is very important. For example, supervisors and their members regularly interact in MY Purpose 1-on-1 meetings by sharing their MY Purposes. Work and tasks will become part of their MY Purposes, incentivizing them to challenge themselves to consummate MY Purpose.

Ambe What is important is independent agency. I agree with SOMPO's approach of defining what the company aims to achieve and the significance of its existence, and then having each individual establish their own sense of values. At Sony too, we express our Purpose as the intersection of two overlapping circles, the first circle labeled "Special You" and the second circle labeled "Diverse Sony," based on Sony's People Philosophy: "Special You, Diverse Sony." I think the common driver for the realization of both circles is "growth." Both individual employees and the company must continue to grow. Growth is the common agenda for both the employee and the company, each of which has very different characteristics.

The most important action in achieving growth is "challenge." Akio Morita, one of Sony's founders, said, "Challenges always involve risks, but the risk of not trying is greater than the risk of trying. The opposite of progress is not regress but maintenance of the status quo." He always said that if you're satisfied with the status quo, you lag behind the progress of the world, which is to say you regress in relative terms. Through our human resources systems and opportunities, we encourage employees to have a dialogue about continuing to grow together.

When a business takes on a new challenge, it entails great risk, but with insurance products, you feel a sense of reassurance like when someone puts a hand on your shoulder and says, "Don't worry, it's all right." Since SOMPO deals in insurance, I feel that we are developing a business with great significance as society continues to take on challenges.

I learned many things from Microsoft's efforts to change its corporate culture based on the idea of a "Growth Mindset," but I'm also keenly aware that changing the culture is extremely difficult and daunting. Instead of denying or changing what exists now, we aim for our vision of the future we aspire to achieve. That is the company's Purpose and the individual's My Purpose. I believe that growth can be the biggest common driver for both parties to achieve this goal.

Hara I, too, realize how difficult it is for a large-scale company with a legacy to change its culture.

However, it is also true that gradually, more and more



employees sympathize with My Purpose and challenge themselves to realize it.

Takakura The Ito Report on Human Capital identifies three perspectives required for a human resources strategy. The third perspective is organizational and individual behavior change. Without this, the corporate culture cannot change. Rohto continues to say that "there is no business without people," but what Mr. Ambe just said makes me realize that if this behavioral change is not present in both the individual and the organization, the culture cannot be maintained.

In order to start a new business in the future, it is necessary to choose a direction to head in, and that is something that leaders, the management team, and everyone needs to think about. We need insight into the future to decide where to shine our light. Insight into the future is becoming more difficult than in the past 20 or 30 years. If you spend 24 hours a day on the work in front of you, how will get any insight into the future? Moreover, without time for study and dialogue between different industries, new businesses will not arise. Thinking this way, we in human resources need to create a place where employees can reallocate the time spent on their current work to other areas. The side jobs and businesses I mentioned earlier are exactly this. Without this kind of cross-border learning, you won't notice the need to change your behavior. As Mr. Ambe said, change is difficult and sometimes you have to change your surroundings to realize it. If cross-border learning can do this, I believe that directing people's time and energy to areas other than their main work is also part of our job in human resources.

The direction Japanese companies should go

Ambe After Japan's "30 lost years," I think growth is more important than anything else. When asked at a press conference what word he would emphasize, the new president of the Sony Group, Hiroki Totoki, emphatically answered "growth." Sony has six diverse businesses, each of which has many enormous competitors. Since it cannot afford to concentrate its capital in just one business, which is a handicap of its diversity, Sony must continue to create value by using its diversity as a competitive advantage. There is a sense of urgency that we must continue to grow to do this. The growth strategy of generating value from diverse businesses is exactly the same as the human resources strategy of generating value from diverse human resources. I have always valued the opportunity to interact directly with the employees we depend on to support Sony's future growth, starting with our excellent engineers around the world. Through these conversations, I get the sense that, even more than remuneration, true growth opportunities are the expectations we share. I believe that supporting the growth of individuals leads to corporate growth, which in turn helps us meet the expectations of the capital market.

If corporate value is an indicator of corporate growth, I think that an indicator of employee growth is an engagement indicator that shows that employees are working with enthusiasm and satisfaction. There is objective data showing a clear correlation between highly engaged organizations and company performance. I believe that our goal and responsibility in human resources is to support the growth of the company by supporting the growth of its employees so that they remain a highly engaged group at all times.

Takakura Both companies and individuals need to start thinking about growth again. I have also said that we are in an era of co-growth, where the company and the individual are equal. When individuals take on challenges, the company evolves. As the company evolves, new businesses emerge and there are more opportunities for individuals to take on new challenges. Six years ago, I drew a diagram of this "cycle of co-growth." To achieve co-growth, Ajinomoto has worked to establish a global human resources system. To continue to grow in the future, we need an ethic of self-denial for our own good. It is human nature to think that if there is growth and success, it will continue, but this impulse must be resisted. I feel that My Purpose, centered firmly on the individual as the source of energy, is very important for adapting to change and growing.

From a management perspective, there are two things to do. The first is to increase the overlap between the direction the company is headed and the thinking of each individual. The second is to continuously send out the clear message that personal growth and the evolution of the company will happen, and that there will be more opportunities to take on challenges.



Hara Your messages have been genuinely encouraging. My Purpose is the source of innovation, which bolsters SOMPO's Purpose. We will continue our efforts toward realizing MY Purpose.

Starting point of the Value Creation Cycle

Value creation that originates from My Purpose

The Sompo Group has set its Purpose to be “With ‘A Theme Park for Security, Health & Wellbeing,’ create a society in which every person can live a healthy, prosperous and happy life in one’s own way.” With this Purpose at the core of our management, our Group is taking on the challenge of “Purpose Management” that is unique to SOMPO. Under the strategy of a “theme park” that includes our diverse insurance, nursing care, and digital businesses, and with the origin point of “My Purpose” which epitomizes the aspirations of each of our employees who have diverse backgrounds, we aim to realize SOMPO’s Purpose as well as the My Purpose of each employee by overlapping the company and individual purposes, transforming individual strengths into organizational strengths, and conducting collaboration that transcends business boundaries.

Approach and starting point for SOMPO’s Purpose Management

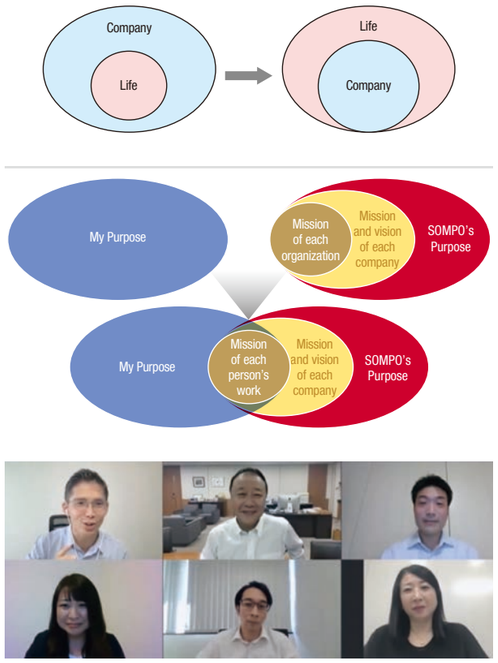
The driving force behind Purpose Management is each and every employee of the Group.

In an era of a paradigm shift in the way we work and live, in which our values are shifting from the idea of “My life in the company” to “A company that helps you realize your life’s purpose,” the Sompo Group believes it is most important for all employees to face their lives with their own purpose (My Purpose).

The starting point is My Purpose, which is a strong desire that wells up within each employee. By overlaying this desire with the company’s and organization’s Purpose, we aim to realize SOMPO’s Purpose. This is SOMPO’s approach to Purpose Management.

At the Town Hall Meetings held from September to November 2021, Group CEO Sakurada personally told about 10,000 employees that “the essence (of My Purpose) is using the company to achieve one’s purpose,” “the most important thing is one’s purpose in life,” and “when My Purpose and the company’s Purpose mesh, each and every employee can do a good job and have a happy life, leading to the realization of SOMPO’s Purpose.”

This was the starting point for SOMPO’s unique Purpose Management that originates from My Purpose.



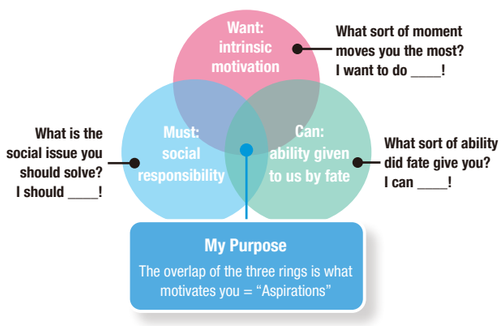
Photograph of a Town Hall Meeting

What is My Purpose?

My Purpose refers to the “purpose of life” or “meaning of work,” such as what kind of person you are, what happiness means to you, and what you want to accomplish in your life.

My Purpose is something that each of us already has inside ourselves.

By verbalizing your purpose, you can use it as a guideline as well as a driving force for your own life and career. In the Sompo Group, we first look back at our own lives and careers from the three perspectives of “Want” (intrinsic motivation), “Must” (social responsibility), and “Can” (ability given to us by fate), and refer to the overlapping parts of these perspectives as “aspirations,” which is what motivates us. This is what we mean when we say My Purpose.



Town Hall Meetings by Group CEO Sakurada

The Town Hall Meetings, in which Group CEO Sakurada speaks directly to employees, are important as a starting point for SOMPO’s Purpose Management, and can be called the beginning of a new journey for SOMPO.

Messages tailored to transformation phases

During Group CEO Sakurada’s Town Hall Meetings, he gives messages and conducts dialogue with employees on different themes in line with the Group’s culture transformation phases, thereby addressing My Purpose and inspiring employees to empathize with SOMPO’s Purpose and take action.

Dialogue between our executive leadership and Group employees

At the Town Hall Meetings, employees themselves talk about My Purpose and engage in direct dialogue with Group CEO Sakurada on the theme of My Purpose. Through dialogue between Group CEO Sakurada and representative employees, employees deepen their understanding of matters such as “the meaning of My Purpose” and “why it is necessary.” Listening to such dialogue widens the circle of empathy and creates a sense of unity and solidarity throughout the organization.

Global Town Hall Meetings

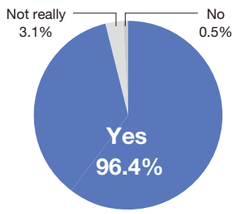
We have also held Global Town Hall Meetings since FY2022. These meetings bring together employees from our diverse businesses in Japan and overseas in an online space to exchange opinions while respecting the diversity of the participants.

Dialogue at the Global Town Hall Meeting

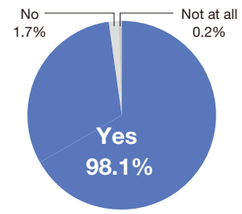


Global spread of Purpose Management, as seen in the Global Town Hall Meeting questionnaire

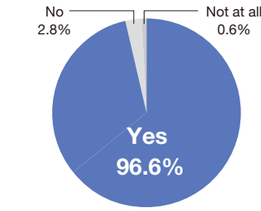
Q. Were you satisfied with the Global Town Hall Meeting?



Q. Did you understand My Purpose and want to have one?



Q. Did you feel a sense of unity and solidarity at SOMPO?



Summary of the Town Hall Meetings

(1) Theme (2) Target participants (3) Number of meetings (4) Number of participants

FY2021
(1) What are SOMPO’s Purpose and My Purpose, and why are they necessary?
(2) Domestic officers and employees
(3) 7 meetings
(4) About 10,000

FY2022
(1) What is management that elicits a spirit of challenge based on My Purpose?
(2) Domestic management layer
(3) 2 meetings
(4) About 4,000

FY2022
(1) What do we want to achieve that originates in My Purpose? + other themes
(2) Domestic and overseas officers and employees
(3) 4 meetings
(4) About 8,000

FY2023
(1) What is the relationship between SOMPO’s Purpose, the various business missions, and My Purpose?
(2) Domestic and overseas officers and employees
(3) 3 meetings (planned)
(4) About 3,000 (as of August 31, 2023)

Overview of initiatives to spread the concept of Purpose

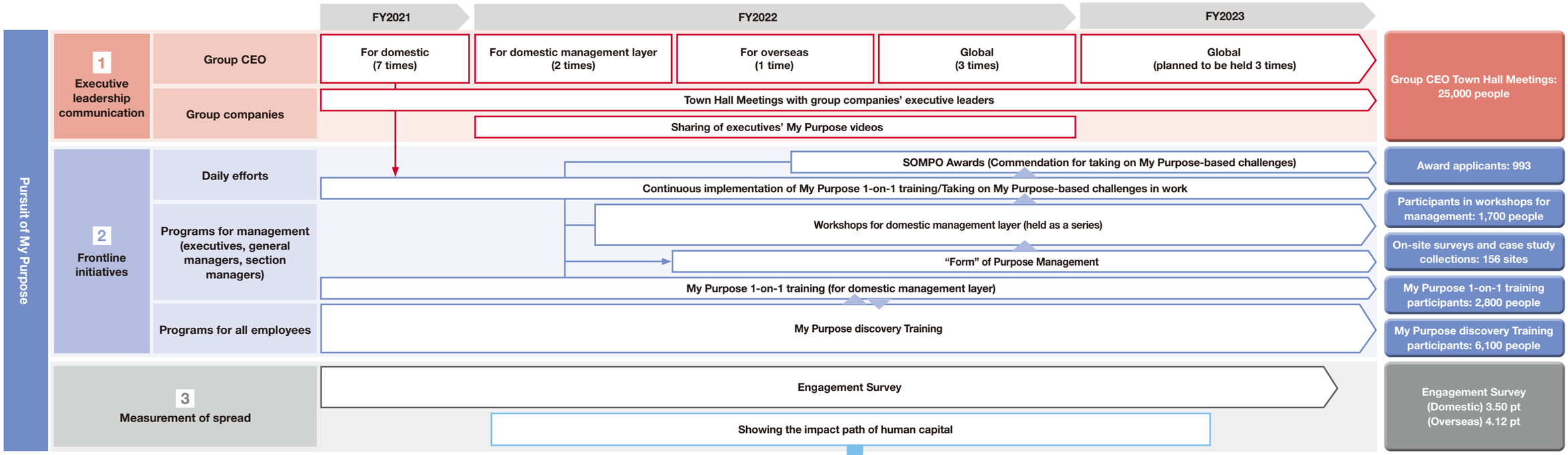
For the promotion throughout the Group of SOMPO's Purpose Management that originates from My Purpose, we are developing initiatives to spread the concept of Purpose from three layered perspectives.

The first is "Executive leadership communication," represented by Town Hall Meetings, which encourages change toward the realization of Purpose. Led by Group CEO Sakurada, executive leaders from each business hold Town Hall Meetings on a regular basis to deliver top-down messages in line with the transformation phase.

The second is "Frontline initiatives." In order to realize Purpose and transform our culture, it is essential for each employee who empathizes with the messages from the executive leaders to put them into practice in the offices. To support this, we are organically linking and developing bottom-up initiatives such as My Purpose 1-on-1 training for management, various workshops, and the SOMPO Awards, a Group-wide awards program.

The third is "measurement and modeling." These initiatives to spread the concept of Purpose are combined and accumulated as knowledge, which is then provided as feedback to the "executive leadership" and "offices" to further evolve and deepen the initiatives.

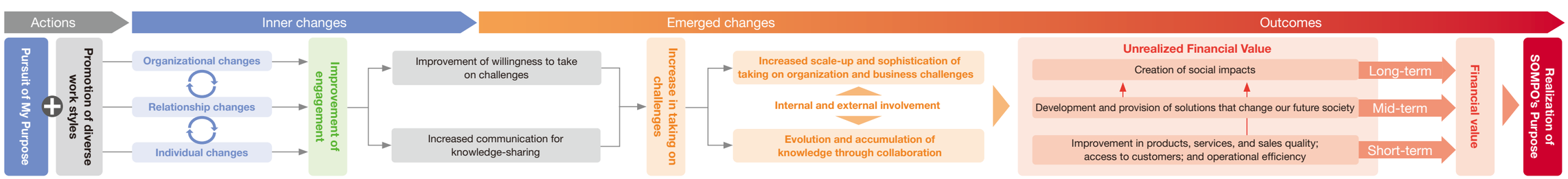
The overview of the spread of SOMPO's Purpose shows that we organically link the layered initiatives, gain understanding and verify them from both qualitative and quantitative perspectives, and move them forward.



Visualizing the impact path of human capital

Our Group uses the term "Unrealized Financial Value" to refer to value that leads to financial or corporate value in the mid- to long-term that is generated by human capital-related initiatives (actions), including the spread of the concept of SOMPO's Purpose, and the entire Group is working to improve it. By visualizing the paths through which they lead to the creation of value, we are also steadily advancing Purpose Management that originates from My Purpose by using an evidence-based approach and having it lead to sustainable growth and increased corporate value.

Specifically, we are working to map "Human Capital Impact Path" with a series of paths that lead to creation of financial value by generating changes that lead to improved engagement within the organization with actions concerning pursuit of My Purpose and promotion of diverse work styles, as well as changes that encourage taking on challenges. We are promoting the utilization of the human capital impact paths by detailing the paths, estimating the financial impact, and managing KPIs in conjunction with the strategy.



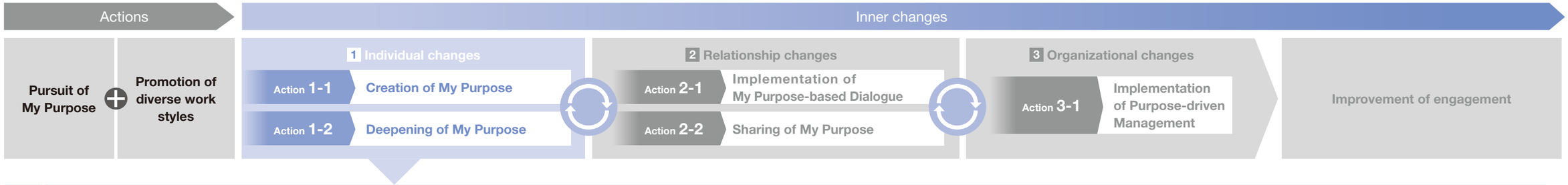
Value Creation Cycle:
Route of Driving Force (Engagement)

Toward improvement of engagement

Engagement increases through the mutual functioning of three types of change: “individual changes,” “relationship changes,” and “organizational changes.” With My Purpose as the starting point, we are working to spark “inner changes,” consisting of three changes that occur within individuals and the organization, which will lead to higher engagement by taking various actions such as spreading the concept of Purpose and reforming work styles.

We will create “individual changes” through engagement with My Purpose, “relationship changes” through dialogue and sharing via My Purpose, and “organizational changes” via this process in the entire organization. Then, through mutual functioning of these three changes and their upward spiral, we will increase engagement and have this lead to “emerged changes” in the form of taking on challenges and innovations.

This part introduces our efforts to improve engagement through these three changes.



1 Individual changes

The driving force behind the Sompo Group’s growth is each and every employee. The start of the transformation of the entire Group will firstly be the generation of “individual changes” by having each and every Group employee engage with their own My Purpose.

By having each employee formulate their own My Purpose, they will be able to face themselves and identify what is important to them, what makes them unique, what makes them happy, and what makes them fulfilled. Realizing this while working will improve engagement and lead to willingness to take on challenges and creation of innovation based on their own intrinsic motivation.

Here are introductions of some of the measures we are taking to generate “individual changes.”

Action 1-1 Creation of My Purpose

Creation of My Purpose: Support the formulation of My Purpose

Making a formulation of My Purpose is not easy.

However, My Purpose is something that already exists within each of us. The Sompo Group provides support to employees to help them discover and verbalize the My Purpose inside them.

My Purpose discovery Training

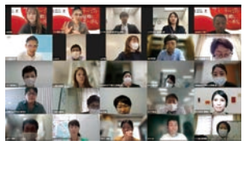
To support each employee formulate their own My Purpose, we offer “My Purpose discovery Training.” The training is held on a regular monthly basis across the Group so that anyone can work on determining My Purpose at any time. The training has been held 25 times with 6,100 participants.

For the training, external lecturers are invited to explain the background of the need for My Purpose and the method for creating My Purpose. In addition, employees who have already created My Purpose serve as panelists to share their own My Purpose, their experiences in creating it, and their subsequent changes. This enables the training participants to work on formulation their own My Purpose with as positive an attitude as possible.

Through these efforts, we help each and every employee engage with My Purpose by considering what kind of a person they are and what happiness means to them.

Cumulative number of trainings: 25
Cumulative number of participants: 6,100





Action 1-2 Deepening of My Purpose

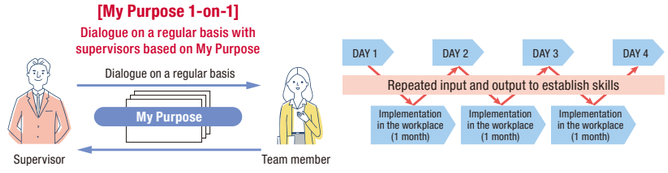
Deepening of My Purpose: [For management layer] My Purpose 1-on-1 Training

In the workplace, workplace supervisors, who have received training in dialogue on the theme of My Purpose, assist their team members in formulating and deepening their own My Purpose.

The My Purpose-centered dialogue between supervisors and team members helps the members deepen the My Purpose that they have created.

In order to support these efforts by workplace supervisors for their team members, the Sompo Group is developing Group-wide My Purpose 1-on-1 Training for all domestic management layer.

The KPI for this training is to have all eligible employees take it by the end of FY2023, and this is expected to be completed within the current fiscal year. The training is divided into several programs. These comprehensive programs cover everything from the creation of My Purpose by managers to methods for My Purpose-based Dialogue with their team members. In addition, a period of implementation in the workplace is always provided between the multiple programs so that through repeated input and output, the skills of the managers can become solidified and self-driven work styles based on each employee’s My Purpose can be established.



Comments from employees who have created My Purpose

The following comments have come from employees who have created and deepened their own My Purpose through training supporting the creation of My Purpose as well as dialogue with their workplace supervisors. Engaging with My Purpose in this way brings about changes in each employee’s feelings and actions.

I found myself getting truly interested and created My Purpose.
I became able to verbalize my vision for myself, and it gave me an opportunity to think about my future career and next actions.



Yuko Sekimizu
Business System Promotion Office,
Business Planning & Development Department
Sompo Japan Insurance Inc.

When I tried looking back at each of my past actions, I realized that everything is connected.
I am glad that I found what I value.



Kenta Iida
Kitakyushu Branch,
Kyushu Regional Division,
Sompo Himawari Life Insurance Inc.



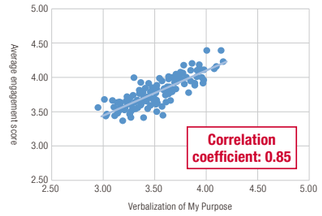
- I learned tips on how to lead a life with no regrets
- It gave me an opportunity to reexamine myself
- It gave me a boost to take on my own challenges
- I was glad to gain a new awareness of the values I have cherished
- I was able to clarify what I want to do in the future and the direction I want to go
- I became able to look forward even when I am having difficulties

Verification Individual changes

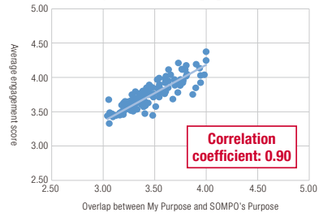
Verbalizing My Purpose and recognizing the overlap with SOMPO’s Purpose is the foundation for increasing motivation for daily work.

Our company has found that the more the organization has verbalization of My Purpose and recognizes the overlap of My Purpose and SOMPO’s Purpose, the higher the engagement.

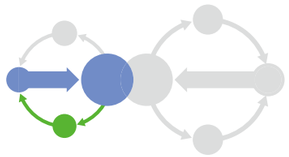
Correlation between the “verbalization of My Purpose” and “engagement score”

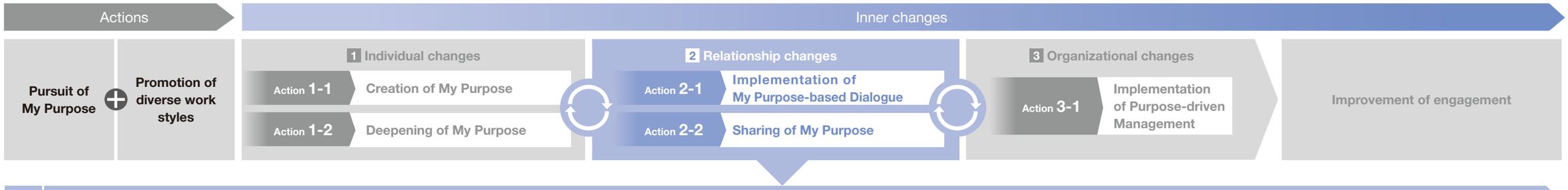


Correlation between “overlap of My Purpose and SOMPO’s Purpose” and “engagement score”



* Our analysis is based on a survey about engagement aimed at employees of the Sompo Group and conducted by Sompo Institute Plus.





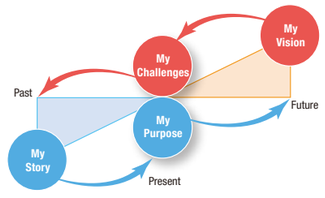
2 Relationship changes

When “individuals” who have engaged with My Purpose disclose My Purpose to their supervisors and workplace team members and participate in My Purpose-based Dialogue, “relationship changes” will arise. In addition, dialogue among supervisors and workplace team members about My Purpose can lead to new insights about the My Purpose of the individuals.

In this way, “individual changes” and “relationship changes” function together, and new value is created through the acceleration of both types of change. Here are introductions of two efforts for generating “relationship changes.”

Action 2-1 Implementation of My Purpose-based Dialogue

Relationship changes between supervisors and team members: Daily dialogue through My Purpose



Once individuals have formulated their own My Purpose, My Purpose-centered dialogue is held between managers and team members in the workplace. Rather than a 1-on-1 meeting focused on conventional job content, the My Purpose 1-on-1 is a “personal-level” 1-on-1 meeting between a supervisor and his or her team member that focuses on My Purpose, looking back on past experiences and encouraging taking on challenges toward one’s future ideal state “My Vision” for the realization of My Purpose. Many of the following comments have been heard from workplace managers and team members who have actually implemented the My Purpose 1-on-1, and changes have arisen in the relationships between supervisors and team members that were not seen in the previous 1-on-1s.

Comments from team members



Disclosing My Purpose to my supervisor made me feel more secure and made it easier to have conversations in my daily work.



I felt that my supervisor was looking out for me when I was assigned work based on My Purpose.

Comments from managers

By disclosing our formative experiences and My Purpose together (between supervisor and team members), we were able to close the gap between us, and I began to receive more consultations than before.



I assigned responsibilities based on the My Purpose of each team member, and they have been proactive in carrying out their work without much advice from me.



Action 2-2 Sharing of My Purpose

Relationship changes with workplace team members: Implementation of My Purpose Disclosure and Meetings to Share My Purpose

In addition to My Purpose-based Dialogue between workplace supervisors and team members, having team members in the same workplace share their My Purpose together has a positive impact on their relationships.

Effective efforts to create such relationship changes among team members in the workplace are “My Purpose Disclosure” and “Meetings to Share My Purpose” that are held in each workplace.

By disclosing My Purpose in the workplace and speaking at “Meetings to Share My Purpose” about each other’s formative experiences and the Purposes created from those experiences, mutual understanding among workplace team members is fostered as well as a culture of respect for each other’s values. In addition to speaking themselves, the participants also receive feedback from other team members in their workplace, which leads to new insights and further deepening of their My Purpose.

In each workplace of the Group, various efforts are being made to spread movements for disclosing My Purpose and holding Meetings to Share My Purpose. Through the sharing of My Purpose and dialogue with others, relationships among colleagues are beginning to change.

My Purpose Disclosure: My Purpose Compilation



Meetings to Share My Purpose





By talking to team members about my Purpose during the meetings to Share My Purpose, I clarified areas where there is room for deeper exploration.



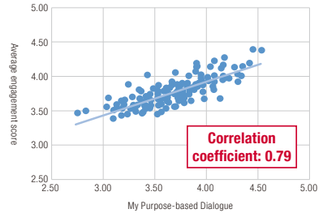
Conducting meetings to Share My Purpose has increased the number of daily conversations among team members. There have also been positive results for engagement.

Verification Relationship changes

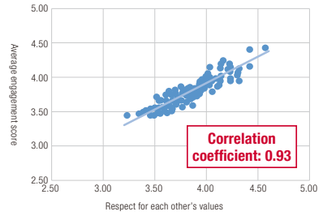
We believe that dialogue with supervisors based on My Purpose and mutual recognition of each other’s values contributes to increased diversity and improved engagement.

We have confirmed that the more the organization has My Purpose-based Dialogue as well as mutual recognition of each other’s values, the higher the engagement.

Correlation between “My Purpose-based Dialogue” and “engagement score”



Correlation between “respect for each other’s values” and “engagement score”



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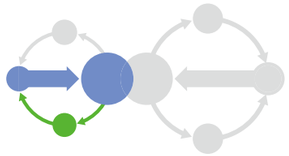
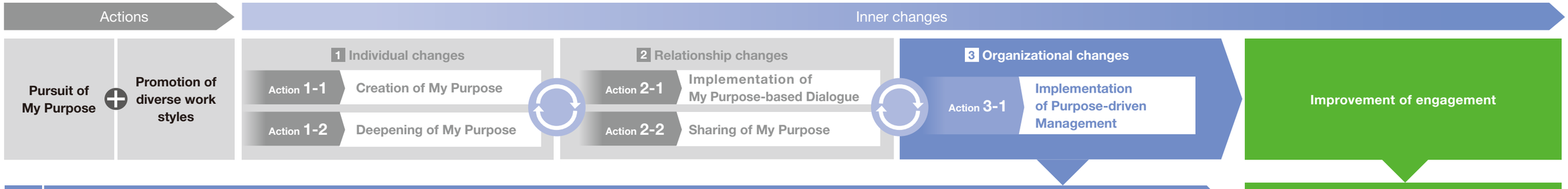




3 Organizational changes

In an organization where there is mutual recognition of diverse values based on the My Purpose of individuals, it is easier to generate innovation by increasing engagement, creating willingness to take on challenges, and increasing communication.

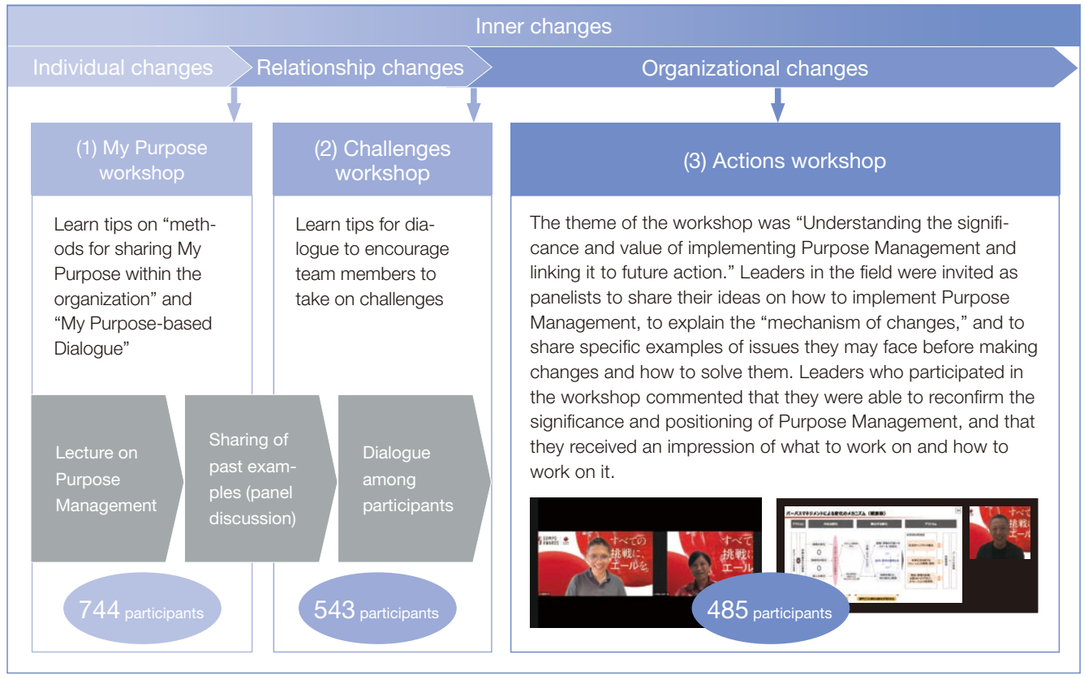
The key to having such a corporate culture take root and implementing it at the organizational level is the "management" of the organization. In order to transform the management and bring about "organizational changes," the Sompo Group is implementing a variety of measures.

Action 3-1 Implementation of Purpose-driven Management

As one of the measures, we are conducting a survey of the conditions at sites with pioneering Purpose Management to clarify the mechanism of organizational transformation originating from My Purpose. We are also designing and holding "workshops for management" based on the "form" of Purpose Management to implement the transformation.

A total of 11 workshops of three types with 1,700 participants were held in accordance with the organizational transformation phases.

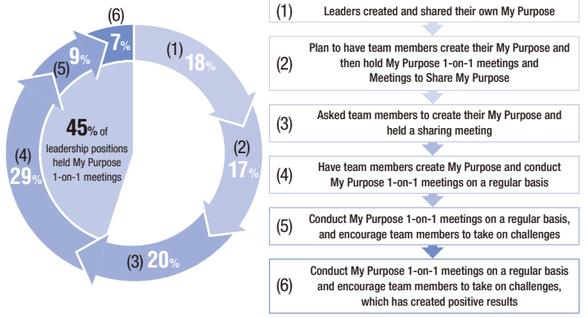
In the workshops, breakout sessions are held among the participants to collect comments from the field and what is happening in the field (tacit knowledge), and this information is reflected in the Purpose Management form (explicit knowledge). By continuing this cycle, we are working with management in the field to promote management transformation.



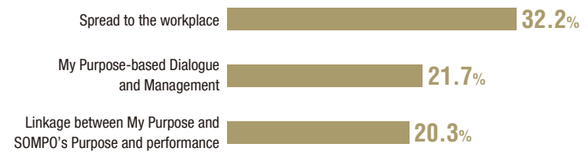
Current situation on management

Progress in My Purpose-based Dialogue for management

(May 2023 survey for domestic leadership positions, N=360)



Management concerns (top 3)



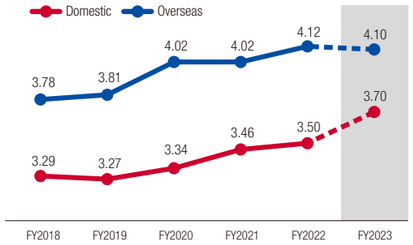
The reality is that management in the workplace faces a variety of concerns and issues when implementing Purpose Management. That is why we at the Sompo Group are aiming to create and implement a new form of SOMPO's Purpose Management with managers in the field. The challenge undertaken by the Sompo Group has only just begun.

Engagement

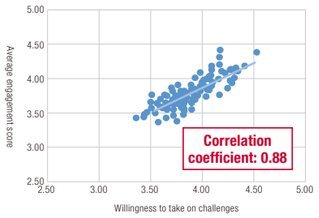
Despite various difficulties and issues, the results of the engagement survey show an upward trend across the Group, showing that the fruits of our efforts are emerging. The data also shows that increasing engagement can lead to an increase in willingness to take on challenges, and we have confirmed the higher the engagement score of the organization, the higher tendency to take on challenges.

By continuing and expanding the development of various measures in response to the mechanism of changes going forward, we aim to increase engagement and the total amount of taking on challenges, and thereby work to foster our Group's envisioned corporate culture.

Gallup Engagement Survey results and target scores (5-point scale)



Correlation between "engagement score" and "willingness to take on challenges"



* Our analysis is based on a survey about engagement aimed at employees of the Sompo Group and conducted by Sompo Institute Plus.

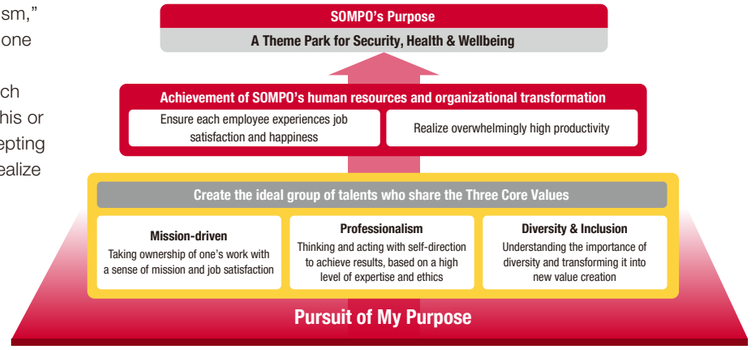
Value Creation Cycle: Route of Driving Force (I&D)

Enhancement of organizational strengths with diversity

The creation of innovation is essential for realizing SOMPO's Purpose, and the key to this is inclusion and diversity (I&D). We are promoting various efforts under our belief that innovation is created through collaboration and discussion among human resources with diverse values and skills, including differences in gender, disabilities, nationality, age, and work experience. In fact, our internal data analysis confirms that the more My Purpose-based Dialogue is conducted at an organization, the stronger tendency there is for mutual acceptance of diverse values.

Create the ideal group of talents who share the Three Core Values

Alongside "Mission-driven" and "Professionalism," we have positioned "Diversity & Inclusion" as one of our Three Core Values to be shared by our employees. By fostering an I&D culture in which each employee at each workplace leverages his or her abilities and strengths while mutually accepting others, we will aim to create innovation and realize SOMPO's Purpose beyond that.



Fostering of I&D culture by sharing My Purpose

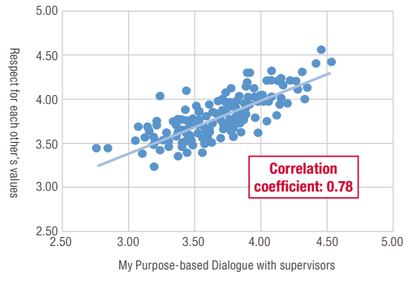
My Purpose is the key to spreading I&D. Mutual respect and acceptance of each other's My Purpose increases the sense of security at the organization and is the foundation for fostering an inclusive culture that welcomes diverse backgrounds and values, such as gender, disability, nationality,

Correlation between "My Purpose" and "I&D"

With the utilization and analysis of various human capital data, including on I&D, we have found that organizations that share My Purpose tend to have a "higher awareness of mutual acceptance of diverse values." Similarly, we have also confirmed that organizations that have a "higher awareness of mutual acceptance of diverse values" have an "increase in taking on challenges toward achieving My Purpose."

* Our analysis is based on a survey about engagement aimed at employees of the Sompo Group and conducted by Sompo Institute Plus.

Correlation between "My Purpose-based Dialogue" and "respect for each other's values"

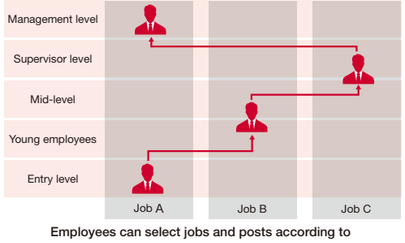


Mechanism to support the realization of diverse forms of My Purpose

Self-driven career development system

As a mechanism to support the realization of diverse forms of My Purpose, we are promoting self-driven career development centered on job selection led by the employees themselves, including not reassigning employees without their consent and introducing a system whereby employees can run for posts of general manager, section manager, and person in charge. At each Group company, we are discussing and reviewing company-initiated reassignments and transfers as well as expanding the self-driven career development system while taking into account the characteristics of each business.

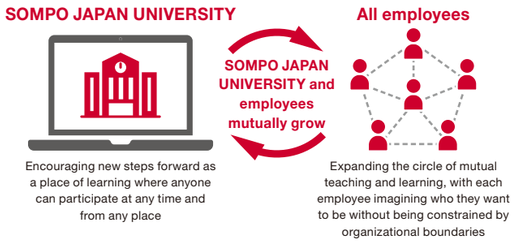
Self-driven career development system



Employees can select jobs and posts according to their My Purpose, life stage, and career stage changes.

Establishment of our in-house online university

Sompo Japan Insurance established SOMPO JAPAN UNIVERSITY, an in-house online university, in October 2020 with the aim of structuring and promoting "self-directed learning" based on My Purpose. Because SOMPO JAPAN UNIVERSITY is an online university, it allows employees to take courses without being restricted by location, time, or current work duties. By providing equal opportunities to acquire various types of knowledge, we aim to foster and establish a culture of studying, taking on challenges, and mutually teaching and learning from one another through diverse human resources.



Acquisition and strategic allocation of diverse human resources

(closing the gender gap, promoting employment of people with disabilities, career recruitment)

We believe that considering a healthy gender balance in corporate management and a workforce composition with diverse backgrounds will eliminate tokenism, strengthen corporate governance, and contribute to sustainable growth through innovation. The Sompo Group has set the numerical targets of having a 30% or more ratio of female managers with influence over management decision-making, and a 2.5% ratio of employees with disabilities. We are advancing initiatives to achieve these targets by April 1, 2024.

The Sompo Group has established succession plans for the Group's key positions (86 posts in total), including the Group CEO, Group COO, Group CxO, business owners, and other key posts in domestic and overseas businesses.

Currently, the ratio of female candidates in the succession plans is 41.9% (as of the end of FY2022), and our goal is to increase it to 50% in the future.

We are also actively engaged in career recruitment, with the main purpose of promoting I&D and acquiring highly specialized talents. Since we began hiring in April 2020, we have hired about 150 mid-career hires, or about 30% of our workforce, over the past three years. We have placed mid-career hires in the respective posts of general manager, section manager, and person in charge. By integrating their strengths with those of each of our existing internal human resources, we have been able to create new value.

Health and Productivity Management®*1 as the foundation for realization of My Purpose

We believe that it is important to maintain good mental and physical health in order to realize My Purpose. The Group regards the maintenance and promotion of employee health as one of the important themes of management. Data related to Health and Productivity Management® (presenteeism, stress checks, etc.) is set as an important KPI in our Human Capital Impact Path, and we are in the process of analyzing its relationship to financial value and Unrealized Financial Value.

KPI items	FY2020	FY2021	FY2022
Ratio of female managers*2	24.2%	26.8%	28.1%
Ratio of female directors and executive officers*3	8.6%	9.0%	11.5%
Ratio of female candidates in succession plans	25.4%	32.4%	41.9%
Ratio of foreign national directors and executive officers*4	12.1%	14.7%	15.2%
Wage gap between men and women*5	—	—	67.2%
Ratio of male employees who take childcare leave	—	71%	75%
Ratio of employees with disabilities*3	2.42%	2.41%	2.36%
Number of companies certified as Health and Productivity Management® Outstanding Organizations	20 companies	22 companies	22 companies
Productivity indicators connected to Health and Productivity Management® (WLQ)	93.8%	93.8%	93.5%

*1 Health and Productivity Management® is a registered trademark of Nonprofit Organization Kenkokeiei.
*2 FY2020 figure is as of March 31. Figures for FY2021 and FY2022 are as of April 1 of the following fiscal year.
*3 Figures are as of April 1 of the following fiscal year.
*4 Figures are as of July 1 of the following fiscal year.
*5 Standalone figure for Sompo Holdings.

Special Feature 2

SOMPO Awards

The Sompo Group introduced the new group-wide award program of "SOMPO Awards" in 2022 to advance from a phase in which our employees understand and empathize with My Purpose and I&D (inclusion and diversity) into a phase in which they transform their understanding into power and actually take action.

By awarding the efforts arising from the My Purpose of each and every employee toward realizing SOMPO's Purpose, this award program is to transform our corporate culture into one that embraces challenges and is driven by employees' My Purpose.



SOMPO AWARD OF THE YEAR

One Grand Prize out of all entries

SOMPO AWARD OF THE YEAR

The Gutto Award

Gutto Award
- Like -

A special award for the one which resonated the most with employees. This is selected from among the category award winners through employee voting.

Best Category Award

One Grand Prize per category

Hakken & Shinka Award
- Discovery & Transformation -

Jitsugen Award
- Impact -

Kokorozashi Award
- Aspiration -

Messages from the award winners

SOMPO AWARD OF THE YEAR



Kazuhisa Hoshino

Sompo Care
West Japan First Promotion Division
Regional Business Promotion Department

We promoted this project hoping that it would make users happy and that children in the community would think of the nursing care profession as a worthy career to aspire to. We believe that this project was only achievable because of the support and cooperation of the users and on-site staff. We would like to continue to expand the circle of community interaction among the users, children, and care workers as one integrated area.

▶ For details on the initiatives, see page 66

Gutto Award
- Like -



Reiko Fujita

Prime Assistance
Business Development Division
Planning Office

The My Purpose that I uphold is "to resolve the world's inequality and disparity in a sustainable way with our partners." There were many individuals who have assisted and supported us in order to realize this wish through "Eyeco Support." We believe that if were not for every single one of them, we would not have been able to win this award, so we are filled with gratitude toward everyone who has shared this purpose with us.

▶ For details on the initiatives, see page 66

Special Feature 2

SOMPO Awards

The SOMPO Awards are a group-wide internal award program that recognizes ideas and initiatives based on each employee's My Purpose which then lead to the realization of SOMPO's Purpose. In FY2022, the first year of the program, more than simply introducing a new awards program, we have also closely coordinated our efforts with such purpose penetration strategies as holding town hall meetings and case study sessions to help spread the program, resulting in a total of 993 entries from Sompo Group companies in Japan and overseas.

Overview of the Program

Aiming to transform our corporate culture into one that embraces challenges and is driven by employees' My Purpose, we divided the SOMPO Awards into the three categories of "Learning from Challenge," "Building a Unified Culture," and "Driving Sompo's Purpose," and then collected initiatives and ideas. For the selection process, emphasis was placed on stories that were unique to those individuals and based on the feelings, sense of mission, and My Purpose behind their challenges, along with whether qualities distinct to the Sompo Group were conveyed, such as I&D, Group synergy, and contribution to resolving social challenges. Moreover, as part of the selection process, interactive methods were adopted, including conversational style interviews to delve deeper into the applicant's thinking and implementing employee voting to select the initiatives that resonated the most with them.



Aspiration behind the launch of the program

Since joining the company, I have been given the opportunity to take on various challenges by the company, which led me to think about how I could use my position to encourage my colleagues in the Group to take on new challenges. In addition, I felt that while we are a group with diverse businesses, from the viewpoint of a single employee, there may not be sufficient chances to feel this diversity. These thoughts led me to establish the "SOMPO Award," a Group-wide award system that supports each and every employee's unique challenges, with a focus on raising the total amount of challenges. The key message, "Our Purpose begins with you," contains our desire to honor, encourage, and support the challenges of all employees.



Shizuka Matsumoto
Sompo Holdings
Sustainable Management Office

Launch of the award program → Entry → Selections → Selections by Executives + Employee Voting → Awards Ceremony → Resonance

Providing an opportunity for Employees to talk about Challenges Together

The case study sessions were held to encourage as many employees as possible to "take a step forward in taking on a challenge" toward the transformation into a culture full of challenges driven by My Purpose, which is the goal of the SOMPO Award program. By providing small talk sessions for employees who have already applied for the SOMPO Awards to talk about what challenges they have taken on, we provided an opportunity for those who have not yet applied to think about their own challenges.



Launching the SOMPO Awards Website

From among the actual applications, about 300 initiatives were disclosed with the aspirations of the applicants. By communicating our corporate stance on Purpose Management internally and externally along with sharing the aspirations and challenges of Group colleagues, we have encouraged employees to take on new challenges, fostered pride in the company, and strengthened the sense of unity within the Group.



▲ Please check our special website here.
https://www.sompo-award.info/english.html

Employee Voting

For the selection of the Special Award (Gutto Award), which is everyone's top choice for the one resonating the most from all of the challenges, employee voting was carried out by all Group employees among the 20 eligible category award winners selected previously. Through voting, Group colleagues transcended national and business boundaries to cheer on each other's challenges, leaving numerous comments which included, "I also want to take on challenges together," and, "I felt proud to be a member of a group that undertakes these great efforts."



Category Award winners created their own materials to share initiative overviews along with the results and lessons learned with Group colleagues.



A one-minute video was employed to convey the aspirations and enthusiasm for the initiatives that could not be fully imparted with slides and to create a circle of empathy within the Group.

Awards Ceremony

An awards ceremony was held to share and honor all of their challenges and present the SOMPO Award of the Year, the Gutto Award, and the Best Category Awards. The Group's first awards ceremony, held at a hybrid of a real venue and a metaverse, provided an opportunity to experience SOMPO's unique approach to Purpose Management, where employees in Japan and overseas are interactively involved and diverse businesses work together as one. In addition, Group CEO Kengo Sakurada delivered the following message at the Awards Ceremony: "My hope is that by hearing about the challenges arising from everyone's My Purpose and honoring them, everyone will leave here having some insights and hints for their next challenges as well as colleagues to undertake them with."



Special Feature 2

SOMPO Awards

SOMPO AWARD OF THE YEAR Award

Kokorozashi Award
- Aspiration -

Promotion Project of the SOMPO style Children's Cafeteria in the Chubu Region!

Description of Initiative

- Mr. Hoshino changed careers and entered the nursing care industry with the ambition to "change people's perception by conveying that the nursing care profession is highly specialized and is a worthwhile profession." Gradually, he became convinced that the direction of the company's transformation matched his own ambitions.
- He took on the challenge of building the best possible team by working across business divisions to promote the SOMPO Style Children's Cafeteria while utilizing the strengths of each person in charge.
- As a result, through running the SOMPO Style Children's Cafeteria as a place for multigenerational exchange, they have not only improved teamwork but also contributed to fostering children's aspirations to become future caregivers and to creating the perception that nursing care facilities are cheerful and open.



Sompo Care Inc.
Promotion Project of the SOMPO Style Children's Cafeteria in the Chubu Region

Messages of Support from Executives

- "Nursing care work is a wonderful and worthwhile profession! I would like everyone to know that!" Sparked by these emphatic feelings of Mr. Hoshino, a project team was formed and the SOMPO Style Children's Cafeteria was carried out with teamwork leveraging each of the members' strengths.
- I felt that this initiative set a great example for Purpose Management. I hope that they continue to strengthen their team through the expansion of the Children's Cafeteria and undertake the challenge of transforming the nursing care industry!

Comments on Employee Voting

The other day, I visited a home located in Nagoya. I felt that it had the power to create change for children and the elderly as well as the society and community.

It is rewarding for us workers to see the residents smiling as they interact with children. It makes me happy to see children showing interest in nursing care work.

Gutto Award
- Like -

Hakken & Shinka Award
- Discovery & Transformation -

A Society Where Everyone Can Fully Enjoy Their Life Regardless of Disability "Eyeco Support"

Description of Initiative

- Led by Ms. Fujita, the organizer, and Ms. Fujii, who is visually impaired, this initiative arose from the desire by those involved to "create a more exciting society for everyone, regardless of one's disability."
- With the support of SOMPO Digital Lab and the Digital and Data Strategy Department, a service providing "visual information by voice" to those who cannot see or have difficulty seeing was developed using Prime Assistance's call center.
- Users have commented that as the number of things they can do increases, they feel more motivated to try new things.



Prime Assistance Inc.
Team Eyeco Support

Messages of Support from Executives

- I think this is a challenge of great social significance that was realized by the overlap of people's desire to "enrich the lives of people with disabilities," including Ms. Fujii, who agreed with the aim of the project and changed jobs to join the development team, and Ms. Fujita, who promoted the project to please Ms. Fujii who is working together.
- Please keep that aspiration and continue to take on challenges!

Comments on Employee Voting

It contributes to making everyone's life fulfilling in their own way and is truly an effort that brings us closer to realizing SOMPO's Purpose.

When I heard the users voice their delight, I felt proud and was moved as a member of the company providing this service.

Jitsugen Award
- Impact -

Okinawa Children's Future Work Experience Event

Description of Initiative

- The members' desire to "contribute to the development of Okinawa and resolve its issues" led them to take on the challenge of resolving Okinawa's issue of child poverty.
- The branch manager also showed commitment to the project and fully supported the members.
- As a result, the "Okinawa Children's Future Work Experience Event," in which children learn about work from professionals, was planned as an opportunity for children to have high aspirations and was achieved through co-creation with 17 companies and organizations.
- The event attracted a great deal of interest, with the number of applications far exceeding the number of participants along with attracting numerous media outlets to cover it.



Sompo Japan Insurance Inc.
Okinawa Contribution Team

Messages of Support from Executives

- I was really impressed by the fact that this project focuses on issues specific to the local community and encourages the children of Okinawa to pave the way for their own futures through co-creation with many like-minded stakeholders.
- I also applaud the fact that there was an effort to create time through a thorough review of business operations behind the realization of this project.
- Congratulations. We look forward to seeing your future efforts!

Comments on Employee Voting

This is a wonderful initiative which takes on the challenge of doing what is possible now for the future without putting off local issues. I hope that these kinds of activities will spread from Okinawa to the rest of Japan.

This is a wonderful initiative that has the potential for lateral development into other regions outside of Okinawa. We would like to develop it further in coordination with our activities.

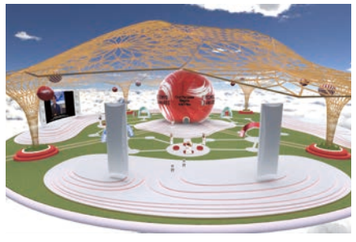
COLUMN An Awards Ceremony Utilizing a Metaverse

The first SOMPO Awards Ceremony was held combining a real venue with a metaverse. It was the Group's first attempt at introducing a metaverse into an awards ceremony, and the motivation behind this was to have the employees make an awards ceremony of their own. We introduced a metaverse with interactive elements so that employees could not only watch and listen to the awards ceremony but also create and enliven it themselves by praising the winners and sending them words of encouragement while transcending the boundaries between countries and businesses.

Employees who participated in the Awards Ceremony's metaverse watched the live broadcast of the ceremony on the metaverse screen and cheered on the winners by clapping, dancing, and making other reactions as well as using the chat. In addition to the live broadcast, participants also viewed videos and posters about the award-winning projects on the metaverse and enjoyed interacting with other participants.

The emotions felt within the real venue were shared with these participants, resonating in such comments as, "Listening to the interviews with the award winners made me cry."

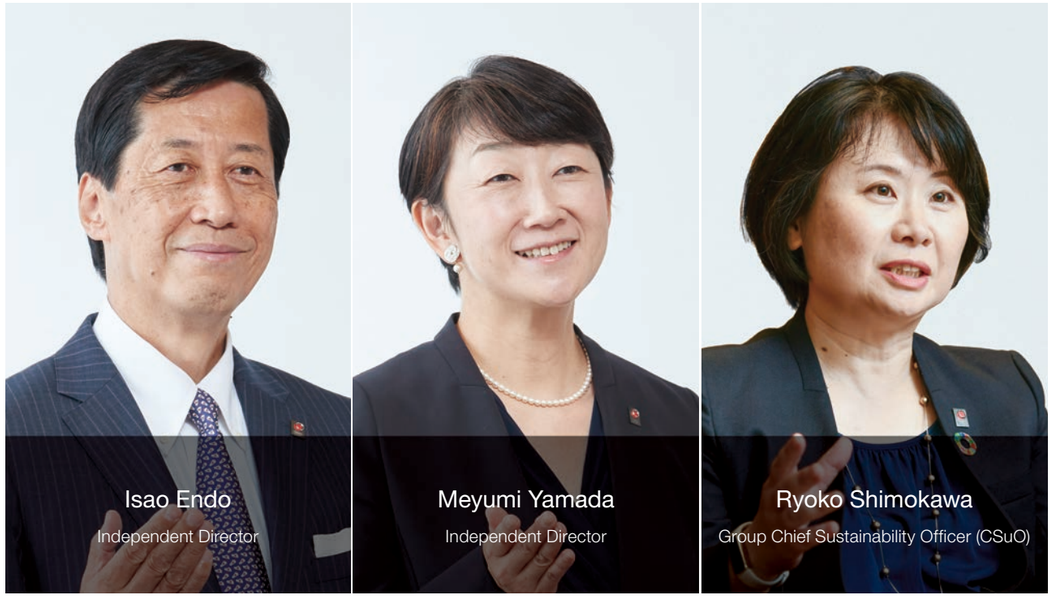






Three-Way Discussion With Directors

Transforming into a Culture of Challenge and Innovation Based on My Purpose



My Purpose-driven culture change

Shimokawa Seeking to break away from the "me in the company" work-style paradigm that has traditionally been dominant in Japan, Sompo Group has been pursuing Purpose Management based on "My Purpose," which refers to one's own purpose of life or meaning of work. The idea is to foster a culture driven by My Purpose and make it the driving force for sustainable growth and increased corporate value enhancement. I believe that the essence of Purpose Management is to create value unique to SOMPO, that is, to provide happiness to people and pursue sustainable growth by solving social issues.

We have deployed a variety of measures over the past three years, but since culture change is not something that can be achieved overnight, we purposefully try to do so in a connected and linked manner, rather than having the measures culminate in some single event. For example, in response to the theme and content of the town hall meetings, which are carried out as a means of communication by top management, we have implemented on-site measures such as My Purpose training, and training for the management level in conjunction with these town halls, and have measured their effectiveness and progress through engagement surveys and other means. Starting in fiscal 2022, we established the SOMPO Awards, a Group-wide award system, not only to encourage employees to take on challenges driven by My Purpose, but also to praise and support those who have taken on such challenges, and to try to transform the culture into one of challenge and innovation.

Another thing we are working on is building "impact paths." The goal is to improve our ability to tell our story by visualizing the mechanism by which various initiatives based on the pursuit of My Purpose lead to increased willingness to take on challenges, and then presenting evidence of this through data analysis and other means.

In this way, we are proceeding through trial and error. First, however, I'd like to ask Mr. Endo and Ms. Yamada what they think about the Group's approach and thinking.

Endo I believe we have reached a point in time when many Japanese companies are in need of a paradigm shift that will fundamentally change the relationship between the company and the individual, and Sompo Group has been recognized for its forward-thinking efforts in this regard. However, such a paradigm shift requires a truly fundamental change in mindset, both for the company and the individual. This is not something that can be easily changed after a few years of work. I recognize that things will change gradually over the course of five to ten years, by all possible means. As a start, we are taking on many challenges and seeing tangible changes. This is a long-term effort, so it is important to keep sending out the message and stick with it. I fully agree with this direction, and I think Japanese companies will not be able to survive without such efforts.

Yamada I too believe that a paradigm shift is the most important concept right now. Not only will the relationship between the company and the individual change, but we are now experiencing so many global natural disasters that we've entered a world where "abnormalities" are an everyday occurrence. I don't think there is anyone who does not experience social issues such as global warming and geopolitical risks on a daily basis as a global citizen. The younger generation, in particular, feels a sense of crisis as a personal matter, and when we think about the future society of our children, there are a lot of problems that adults have the responsibility to address. Under such circumstances, I think that the basic premise of the company must be to contribute to society through the pursuit of economic value, or else young people, in particular, will not find their work fulfilling.

Therefore, I think Purpose Management is a very reasonable approach. I recently had the opportunity to participate in voting for the SOMPO Awards. I was impressed by how this initiative is happening from the bottom up; people are thinking seriously about social issues and tackling them while getting others around them involved.

Shimokawa Thank you very much. In order for us to remain needed by society 100 years from now, we ourselves must grow and change. To do so, we must fundamentally shift our paradigm. With this in mind, we are undertaking this major reform. When it comes to social issues, we agree that, both as a company and as individuals, we can grow by tackling larger social issues.

Changes as a result of our initiatives

Shimokawa Next, I would like to talk about the changes we have seen in our employees as a result of the various initiatives over the past three years. In my opinion, there are three main types of changes.

The first is personal change. I think of the My Purpose initiative as an activity that awakens employee I&D (Inclusion & Diversity). I feel that slowly but surely more and more employees are becoming aware of what they want to do, the significance of their work, and their goals through the process of formulating them. I also feel that through activities to share My Purpose in the workplace, people are starting to become aware of the individuality of their colleagues around them.

The second change is in the management level. Managing employees who have awakened to their individuality has never been more difficult. Having My Purpose is not the goal; the original aim of My Purpose is to inspire people to take on challenges. A survey of managers showed that only about 45% of all respondents have reached that point. As for the concerns of the managers, they seem to be experiencing difficulties in terms of how to interact with and manage employees on the theme of My Purpose, how to connect My Purpose with SOMPO's Purpose and one's mission or work in the workplace, and how to unite their teams.

The third type of change is what we have seen from the SOMPO Awards. We received 993 applications from all over the world, and approximately 7,500 employee votes were cast to evaluate the entries. This level of response was unexpected, but in a good way. It made me feel that many employees are interested in the challenges their colleagues are tackling and want to cheer them on. In addition, based on the initiatives submitted, I realized that many employees are thinking about solutions to new social issues and how they want to implement them, and are actually translating that into action.

On the other hand, it is true that there are still many employees who are not willing to take on challenges, or who are willing to take on challenges but are not ready to take action, and it makes me feel that we still have a long way to go. Do you have any advice regarding these changes and future challenges?

Yamada I watched the video of the SOMPO Awards and was first of all very surprised at the amount of energy the employees had. On the other hand, depending on their type of job or duties, some may find it difficult to connect their work with My Purpose and the social issues they want to solve. I think this award has provided a lot of inspiration to all of our employees. From this starting point, I hope you will make the award more valuable and continue to improve it so that more and more people will identify personally with it.

Endo In general, there is a 2-6-2 rule in organizations, with about 20% of the workforce being highly motivated and aware of the issues. I think what we are seeing now is the stirrings of this 20% of people. The issue is the other 80% of the workforce. In reality, there are many employees who are unable to ride a wave of change like this. Culture change, which is the ultimate goal, is about the people on the operational frontlines becoming self-reliant and self-driven, free from the prodding of management. Therefore, we must find, educate, and motivate core personnel who can lead these activities on the operational frontlines and exert centrifugal force. Once people who demonstrate this kind of initiative become the majority, the atmosphere will change dramatically. Looking at the survey figure Ms. Shimokawa cited earlier, we have not reached 50% yet, so I think this is where the next challenge lies.

Right now, it's a personal challenge, but I think the ultimate goal is how to spread a workplace atmosphere where it is

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natural to take on challenges. Going forward, we need to establish good examples at the level of the individual workplace.

Shimokawa After all, managers are the key. The activities to-date have created a spark in the top 20%, which has gradually ignited a fire in the management level and is beginning to have a positive impact on some organizational units. From the point of view of making this the majority, we have no choice but to work in a steadfast manner.

Endo In addition to working in a steadfast manner, the attitudes and conduct of managers such as department heads and section chiefs are of course very important. Even if we create a spark in one awakened individual, their motivation will falter unless they get empathy from others and understanding from their superiors. It's a mistake to say, "I'm busy with the work at hand, so culture change will have to wait." In order to achieve results in our work, we must first create a good culture and demonstrate individual initiative. How many managers understand this? When I look at various companies, the managers are too busy to really work on it. Creating a good culture in each workplace unit is an important point and a major challenge.

What is "innovation capacity"?

Shimokawa I understand the importance of establishing culture at the level of the individual workplace. In addition to this, to increase corporate value, I believe we must bring about innovation in a broad sense, in both new areas and existing businesses. What is innovation capacity? In other words, what capabilities should a company and its employees develop to increase their innovation capacity?

Yamada Perhaps the most important thing is the ability to set goals. I think it's important to adopt the perspective of, "how can we approach social issues to make things a little better?" It doesn't have to be a technical discovery; it could be just a rethinking or redesign of existing businesses and operations.

Plus, a strong will. I believe that a high-energy organization with a strong will is the minimum requirement to generate innovation.

Endo We tend to think of innovation as a brilliant individual coming up with ideas and concepts that no one else has thought of. Of course, in addition to such Western-style deductive innovation by an individual, there is also Japanese-style inductive innovation.

An example is "*kaizen*," the Japanese philosophy of continuous improvement. First, we apply *kaizen* to improve our own workplaces and services. Then, as an extension of this process, ideas are inductively generated from the field, such as providing customers with services that will make them happier and contribute more to society. It can start with a small challenge, a small change. It happens as a matter of course. I believe this is what it means to be an organization capable of innovation. To that end, it is important to develop human resources who can use their ingenuity to creatively solve problems on-site.

Once "*kaizen*" becomes a culture, it gains strength. Everyone starts looking for *kaizen* ideas without being told to do so. Major innovations can emerge from this.

As Ms. Yamada said, *kaizen* requires setting goals first, and then increasing the number of individuals and teams who can do it themselves. I believe that culture change is about introducing good examples and creating a positive atmosphere that encourages people to adapt to the desired culture.



Yamada Many startups start with nothing but ambition and struggle to accomplish something. Precisely because they are clear about what they want to accomplish, they are able to draw on their connections and contacts, their own solutions, or the support of others, and go from "zero to one." That's why they keep thinking a lot about how to do that. Despite making a large number of mistakes through trial and error, they manage to move forward one step at a time. Each person, in their respective positions, actively does better work, or in other words, accumulates a series of *kaizen* improvements one at a time. I think this is the only way to achieve the goal.

Endo I call it "Changing small and basic things" because someone who cannot even change where their own feet are planted cannot possibly create something great. Changing small and basic things also requires a spirit of challenge and frontier spirit. The management team needs to be more aware of this, but of course the bigger the organization, the more weight and distance there is. It takes tremendous courage for frontline employees to try to change something. Therefore, the person with the initiative who can demonstrate that courage will first change his or her small and basic things. When such things are done autonomously on the operational frontlines, it means a good atmosphere has been created. I believe that this is exactly what culture is all about, and how to spread such an atmosphere is very important for the future. Once someone's fire has been lit, they need to be led well to keep the flame from dying.

Yamada Japanese organizations are expected to be cooperative, and tend to fall into a kind of codependent relationship. But if you have a group of self-reliant individuals, they will be much more engaged with the company as a result. I think it all comes down to how the company can create an environment where people can work with independence and where mistakes are tolerated.

Shimokawa It is important to increase the number of employees with a sense of ownership and initiative, and to support them in a work environment that does not hinder them. If you do this, the value generated by each employee increases, and the value of the company as a whole increases.

Expectations for the future

Shimokawa Lastly, what do we need to do in order for our stakeholders to have high expectations of us as a company that can achieve improvements in corporate value through culture change?

Yamada In the case of SOMPO, since the areas we are involved in are directly linked to social issues, I think consumers have higher expectations for us. We live in an age when the culture on which a company is based is transparent to consumers. To be chosen by consumers and, by extension, society, we need to focus on activities that resonate with them.

I think that when you are inside a company, you tend to focus on short-term results and trends within the industry. As an independent director, I believe it's my role to speak out from a third-party perspective, and give as broad a perspective as possible, such as what kind of value contribution our company has the potential to make to society, while being aware of the viewpoints of a wide range of stakeholders.



Endo Recently in Japan, talented people are leaving major companies and flocking to start-ups. The biggest contributing factor to this phenomenon is culture. Naturally, unless an organization has a good culture, it will not retain or attract good people. Management needs to be keenly aware that we are in such a culture-first era, and we must continue to be a company capable of accumulating top talent. And, ultimately, it must be linked to corporate value. It is important to be keenly aware that we are no longer being selected simply because we are large or well-known.

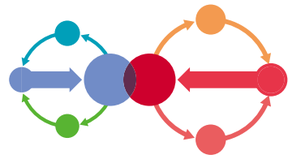
Another point is we need to think about how to value employees who make these kinds of efforts to accomplish very good things. A person who has taken on a challenge must be highly valued, and a person who has not taken on a challenge must not be. Otherwise, it will not take root as a culture. I believe that creating an environment where people who take on new challenges and show initiative are highly valued will lead to true culture change.

Shimokawa As you say, our measures to increase the speed of change and help culture change take root, such as by incorporating it into the employee assessment system, are not yet sufficient, so we need to keep this in mind and work towards those goals.

Culture change is a major premise for increasing the effectiveness of the various human resources investments the Group is making, and from the perspective of investors, consumers, and society, culture change is a leading indicator for improving corporate value. To gain the trust of society, we will continue to take on the challenge of achieving My Purpose and SOMPO's Purpose, even though we know it is not easy to change the culture of a corporate group with more than 70,000 employees. Nonetheless, we will work together every day as a Group to make progress, even if it is just one step forward. We will continue to take the necessary steps to ensure that everyone can feel the change.

Improving Unrealized Financial Value

Visualizing the Impact Path of Human Capital



Initiatives to visualize SOMPO's Unrealized Financial Value

Our company uses the term Unrealized Financial Value to refer to value that leads to financial or corporate value in the mid- to long-term that is generated by human capital-related initiatives originating from My Purpose, and the entire Group is working to improve this. By visualizing this value as much as possible by determining its impact path, we are also steadily advancing Purpose Management by using an evidence-based approach and having it lead to sustainable growth and increased corporate value.

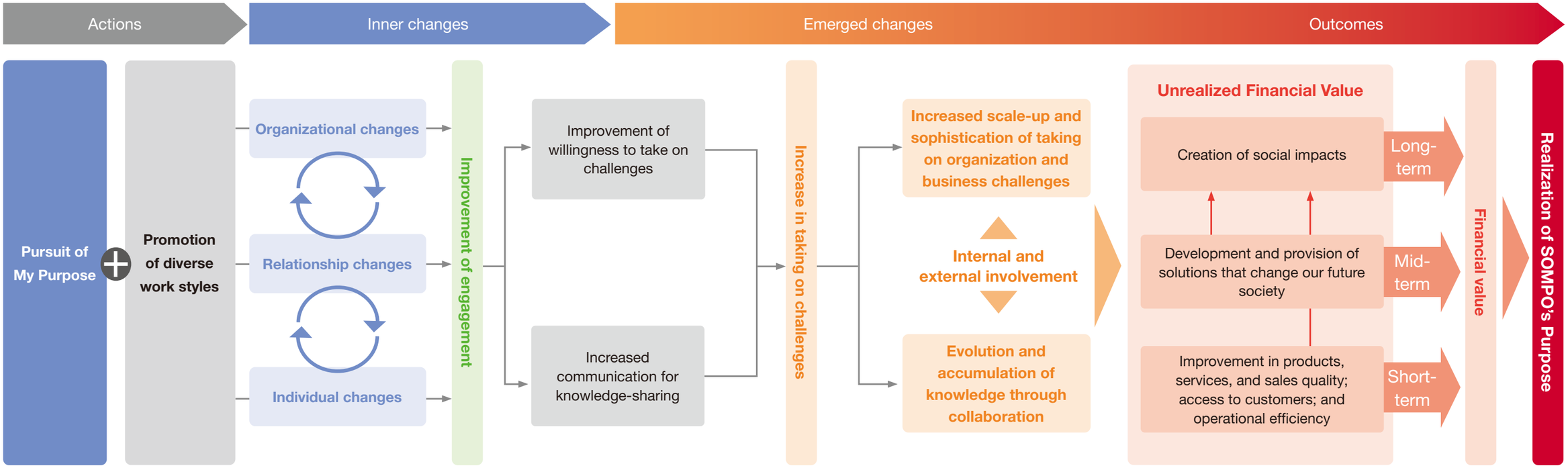
Using the Value Creation Cycle that lays out the path to realizing SOMPO's Purpose, we set key levers/KPIs to improve Unrealized Financial Value. By improving each of these indicators, we will demonstrate to our stakeholders the progress made in Purpose Management.

* Value that is not shown on financial statements is generally called "non-financial value," but we call it "Unrealized Financial Value" because we believe such items will lead to financial and corporate value in the mid- to long-term.

Initiatives to enhance the impact path

With the starting point of the pursuit of My Purpose, how do our various actions to improve human capital increase engagement, accelerate I&D, increase the total amount of taking on challenges and innovation, and improve financial value and ultimately corporate value? We call this path the Human Capital Impact Path and are taking on the challenge of visualizing and implementing it.

This fiscal year, we focused on enhancing the impact path based on the previous year's content. Specifically, we worked to identify the "mechanism of changes" generated by human capital-related actions originating from My Purpose, based on case studies of changes observed at sites throughout the Sompo Group and actual data measured within the company. The items of changes in last fiscal year's impact path, which were expressed as "improvement of individual strengths" and "improvement of organizational strengths," were considered to be "inner changes." These were detailed as a mechanism by which the three elements of "individuals," "relationships," and "organizations" mutually affect each other and change, leading to increased engagement. On the other hand, We also worked to draw a path for the items of changes that we saw as "emerged changes" that would lead to increased challenges and innovation and, ultimately outcomes.



Typical KPIs

KPIs for actions through inner changes			
KPI	**Details**		**FY2022 results**
My Purpose	Executives and employees		74,654 (27,446 male; 47,208 female)
	My Purpose training participation ratio		90%*1
Engagement	Employee engagement		Domestic: 3.50 points, Overseas: 4.12 points*2
	Productivity indicators connected to Health and Productivity Management® (WLQ)		93.5%
	Number of companies certified as Health and Productivity Management® Outstanding Organizations		22 (14 large companies, 8 medium-sized companies)
I&D data	Percentage of female directors and executives (As of April 1, 2023)		11.5%
	Percentage of directors and executives who are foreign-born (As of July 1, 2023)		15.2%*3
	Percentage of female candidates in succession plans		41.9%*4
	Percentage of female managers (As of April 1, 2023)		28.1%
	Percentage of employees with disabilities (As of April 1, 2023)		2.36%

*1 Participation ratio in the company and domestic Group companies.
*2 Average Gallup Q12 scores. FY2023 targets – Domestic: 3.70 points, Overseas: 4.10 points.
*3 Ratio of directors, executive officers, vice presidents: (5 out of 33 total).
*4 Targeting the Group CEO, Group COO, Group CxO, Business CEOs, and other key posts (total of 86).

KPIs for emerged changes through outcomes		
KPI	**Details**	**FY2022 results**
Taking on challenges	Number of SOMPO Awards applications	993
Communication	Number of employee votes for the SOMPO Awards	7,493
Quality/customer reputation	Sales numbers and premiums of priority products	Number of sales: 399,000, premiums: 4.53 billion yen
	Customer satisfaction with insurance claims payments for automobile accidents	Down 0.8 points YoY
	Number of Insurhealth® packages sold/owned	Number of sales: 440,000, packages owned: 1.10 million
	Number of My Linkx members	770,000
	Number of nursing care users	92,000
Solutions	Operating profit of Nursing Care RDP ("egaku")	Target value: 10 billion yen*5 by 2030
	External sales and monetization of RDP products and services	Launch of "egaku" from FY2023
Social impact	Social impact created by Nursing Care RDP ("egaku")	Target value: 3.7 trillion yen*5 by 2040
	Reduction rate in financed emissions	11% reduction*6 from 2019

*5 Target values are shown due to the launch in FY2023.
*6 Actual result for FY2021 is shown.

Improving Unrealized Financial Value

Evidence of Inner Changes

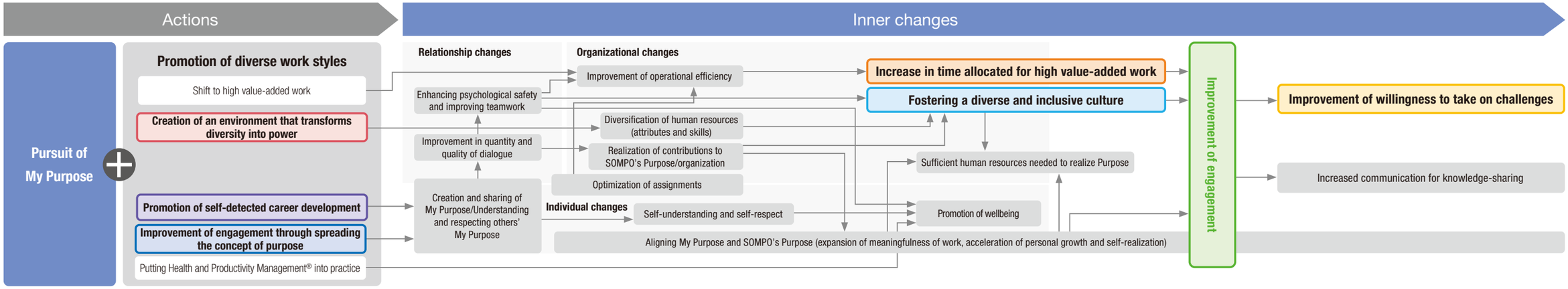
Initiatives for sophisticate inner changes

We worked to clarify the mechanism of changes which we call inner changes, which entail various human capital improvement initiatives originating from the pursuit of My Purpose leading to changes in individuals, relationships among employees, and the organization, which in turn lead to increased engagement. We then analyzed the data we had accumulated in-house and actual case studies in the field to verify the probability of the mechanism of changes from both quantitative and qualitative perspectives. This part introduces some of our initiatives.

Verification of the mechanism of inner changes

We identified from various data that measures and actions to promote diverse work styles, starting with the pursuit of My Purpose, converge with engagement through the mutual functioning of the three elements of individuals, relationships, and organizations, leading to an increase in taking on challenges. We will increase the certainty of achievement of initiatives to improve engagement in each organization of the entire Group by setting sub-KPIs related to changes in the process leading to improved engagement and actions that generate such changes.

* With regard to inner changes that lead to improved engagement from actions, based on our internal multi-year human capital-related survey data, we have conducted regression analysis and quantitatively identified multiple forms of evidence that support the probability of a causal relationship between changes. (Excerpts from some of the verification case studies are shown below)



Verification 1

Creation of an environment that transforms diversity into power → Fostering a diverse and inclusive culture

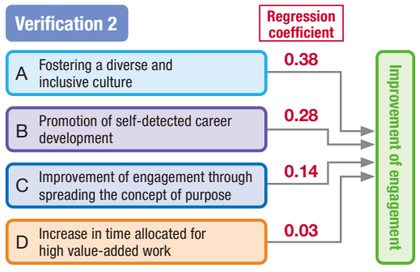
A one point increase in the sense of "I want to work in my own way" will yield a 0.81 point increase in the sensed value of "fostering an organizational culture with mutual acceptance of diversity"

We have confirmed the strong tendency that by creating an environment that transforms diversity into strength through having employees decide on My Purpose and conducting dialogue and sharing within the organization based on My Purpose, there will be an increase in the sense of "Working in one's own way," which will thereby advance I&D and give people the sense of an "organization with mutual acceptance of diverse values."

Sensitivity of "I want to work in my own way" and "diversity"



Verification 2



Engagement increases if there are increases in scores for various actions and changes, such as "fostering a diverse and inclusive culture"

- A A one point increase in the score representing the sense of "an organization with mutual acceptance of diversity" will increase the engagement score by 0.38 points
- B A one point increase in the score representing the sense of "self-detected career development" will increase the engagement score by 0.28 points
- C A one point increase in the score for My Purpose 1-on-1 meetings will increase the Engagement score by 0.14 points
- D A one point increase in the score for time allocated for high value-added work will increase the engagement score by 0.03 points

* For the results of multiple regression analysis, there was omission of items and intercepts with small regression coefficients and small impact on the objective variable.

Verification 3

Improvement of engagement → Improvement of willingness to take on challenges

A one point increase in the engagement score will yield a 0.943 point increase in the sensed value of "willingness to take on challenges"

Our company has confirmed that various actions based on My Purpose lead to higher engagement, and that individuals and organizations with higher engagement tend to be more motivated to take on challenges based on intrinsic motivation.

Sensitivity of "engagement score" and "willingness to take on challenges"

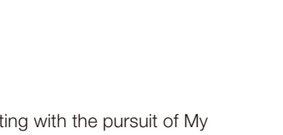


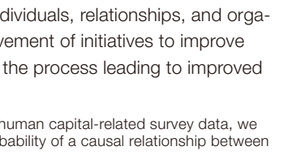
* Our analysis is based on a survey about engagement aimed at employees of the Sompo Group and conducted by Sompo Institute Plus.
* The regression coefficient expresses the "degree of influence (sensitivity) on the result," meaning how much the result will change if the factor used to predict that certain result changes by one. The verification results introduced in this report have been confirmed to be statistically significant. (A significance level of 5% or less is used.)

Case studies of changes that have occurred in the field

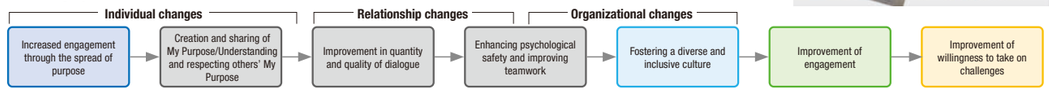
Motivated by My Purpose, we started to challenge ourselves

Motivated by the My Purpose to "help people around us envision a bright future and realize who they want to be," the several gathered team members developed the "Kita Support MIRAI Project" with the aim of learning about change, ourselves, and the people around us. In FY2022, we planned activities on the theme of "reconsideration" of My Purpose, created a video for team members struggling with My Purpose creation and reconsideration, and held a My Purpose roundtable discussion in collaboration with other departments. During times when the project is not going well, the team members remember My Purpose and gain the strength to continue activities through repeated introspection. We would like to continue our extensive activities in pursuit of new discoveries and positive influences on those around us.





Path image (selected representative items in the case study)



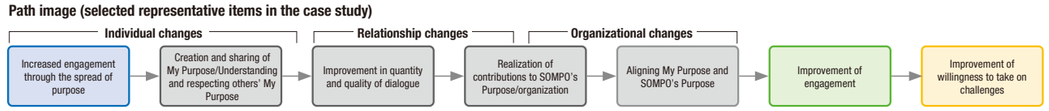
Motivated by My Purpose, we have started to spread our vision and realize Purpose within our departments

We have established a cross-departmental Committee to Spread Vision and Purpose and are developing initiatives with the hope of spreading the vision of departments among all members of that department and making them aware of it in their daily work. Specifically, we have created tools that contribute to the spread of My Purpose throughout the organization, such as a vision video in which all members participate, an explanatory video for the creation of My Purpose, and a compilation of all team members' Purposes. Through a series of initiatives, a sense of ownership has been created among team members, and mutual understanding has increased. In addition, as each member now understands the organization's Purpose and align it and My Purposes, the department's mission, "protect customers at all costs," has become a commonplace part of the organization.





Path image (selected representative items in the case study)



Improving Unrealized Financial Value

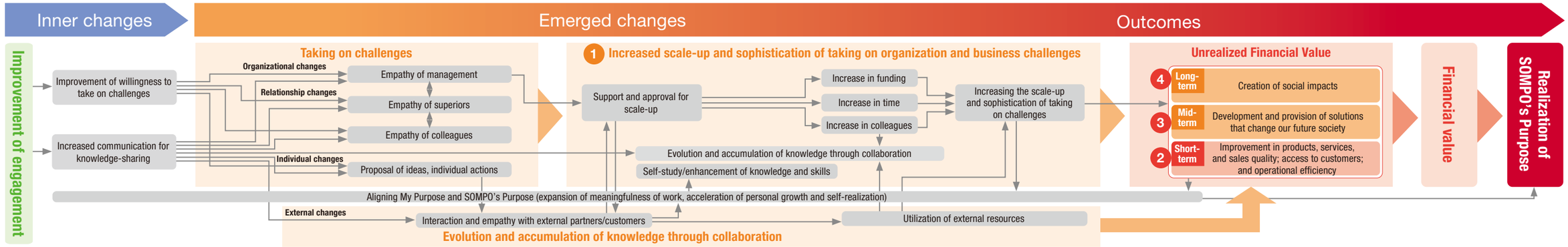
Evidence for Emerged Changes and Outcomes

Initiatives to advance emerged changes and to estimate medium- and longterm outcomes

We believe that human capital improvement initiatives originating from My Purpose will increase engagement and create Unrealized Financial Value through an increase in emerged changes, such as taking on challenges. This fiscal year, we have been working to visualize this mechanism, accumulate and analyze evidence (case studies and data) that shows that engagement contributes to improved outcomes, and visualize medium- to long-term outcomes (such as trial calculations of social impact). This part introduces some of our initiatives.

Verification of the mechanism of emerged changes

Individuals and organizations that have increased their engagement will take specific actions, represented by “taking on challenges” and “communication,” toward realizing their Purpose. Then, while involving both internal and external stakeholders, to create outcomes they will evolve and accumulate knowledge through collaboration, and increase the scale-up and sophistication of organization and business challenges. Our company refers to this series of processes as “emerged changes,” and is working to visualize them and verify them through data and case studies. However, the mechanism of changes from emerged changes to outcomes differs from company to company and department to department, and we have not yet been able to fully clarify it. We will continue to make progress in these initiatives while linking them to the strategies and measures of various areas and businesses.



1 Organizations with high engagement spend around 30% more time on tasks that create high added value

We confirmed that the top 25% of organizations with the highest engagement scores spend about 30% more time on tasks that create high added value, such as new sales, compared to organizations with average scores and below.

* For this verification, tasks that create high added value were defined as the percentage of time spent on tasks that provide value-added products and services to customers to time spent on one’s own tasks.

Increased engagement and taking on challenges impact improved performance and quality

We conducted a regression analysis of the relationship of willingness to take on challenges and engagement scores with business performance and quality, based on data accumulated within the Group organizations. As a result, we quantitatively identified multiple forms of evidence that substantiate that increased engagement and taking on challenges contributes to improved quality, such as customer satisfaction, and improved business performance.

(Example: The regression coefficient is 6.36 points for engagement score and the customer satisfaction index for auto insurance claims payments)

2 3 Case studies of changes that have occurred in the field

Case study 1 **Group-wide system development to improve efficiency and effectiveness of claims payment operations for large-scale disasters**

With a strong desire to contribute to the rapid rebuilding of the lives of our customers in disaster-affected areas, we developed and introduced an unprecedented system for payment of insurance claims in the event of a disaster, utilizing the “Foundry” data platform provided by Palantir. We actually used that system for payment of insurance claims for the disaster of the earthquake off the coast of Fukushima Prefecture in 2022. We were able to promptly deliver insurance claims payments to customers by significantly improving our business operations.

Case study 2 **Participation in the prefectural smart city model project by proposing a health care service,“LinkCross Blood Glucose Coaching,” to the core city**

Based on the My Purpose to “Think about what we can do and take action so that everyone we interact with can feel as healthy and happy as possible throughout their lives,” we proposed that our city promote health and prevent serious illnesses by using our health care service “LinkCross Blood Glucose Coaching.” As a result, a consortium led by the city was formed, and the healthy and happy community development using ICT (Diabetes Prevention) project (only in Japan) using LinkCross Blood Glucose Coaching was launched and adopted as a smart city model project by the prefecture.

Case study 3 **Development of the new insurance product travel cancel insurance that contributes to solving social issues**

We developed and provide travel cancel insurance to encourage travel reservations with the strong desire to create new experiences and value with insurance by changing the “impossible” of conventional insurance to “possible.” This product has helped to realize the three-way satisfaction between users, travel agencies, and accommodations/transportation, and has contributed to the recovery of demand for domestic travel.



Travel cancel insurance brochure (in Japanese)

4 Social impacts generated by SOMPO

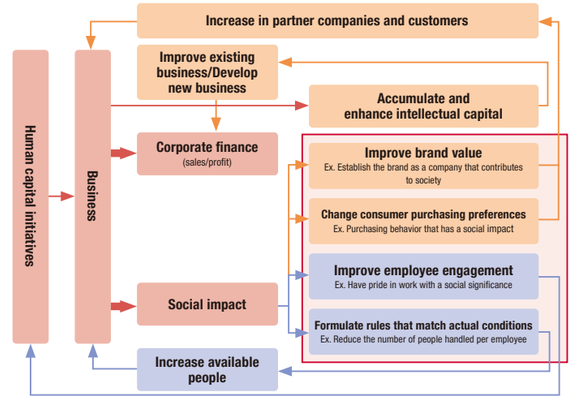
Linkage of social impacts to future finance

By organizing the impact paths and converting them into monetary values, we will clarify the social impacts we produce that go beyond the scale of our operations.

The following four paths show how social impact can lead to future financial value. We believe that these paths will lead to improvement in human capital and an increase in the number of partner companies and customers, which in turn will lead to an increase in financial value.

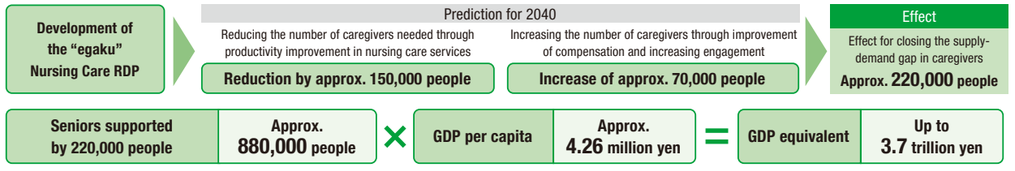
(1) Improve brand value
(2) Change consumer purchasing preferences
(3) Improve employee engagement
(4) Formulate rules that match actual conditions

Example: Nursing care business



Example of social impact calculation: Social impact created by Nursing Care RDP (“egaku”) “egaku” ▶ P.26

“egaku” consists of three services: digitization support service, data utilization service, and professional service. Through the development of these services, we aim to improve the productivity of nursing care businesses, increase staff engagement, and enhance the job attraction of nursing care work. We aim to close the gap between supply and demand for caregivers by 220,000*1 and to support up to 880,000*2 seniors in 2040. We estimate that this will prevent people from quitting or restricting work for nursing care and create a social impact of up to 3.7 trillion yen in terms of GDP equivalent.



*1 Assuming deployment of “egaku” to 30% of home care providers and 10% of at-home care providers who all successfully reduce the No. of caregivers needed and increase the No. of caregivers, just like at Sompo Care.

*2 Assuming that deregulation allows 1 caregivers to support about 4 seniors.