May 28, 2024

Company Name: Sompo Holdings, Inc.
Representative: Mikio Okumura, Group CEO, Director
President and Representative Executive Officer
(Stock Code: 8630, Prime Market of TSE)

Mid-Term Management Plan (FY2024-2026)

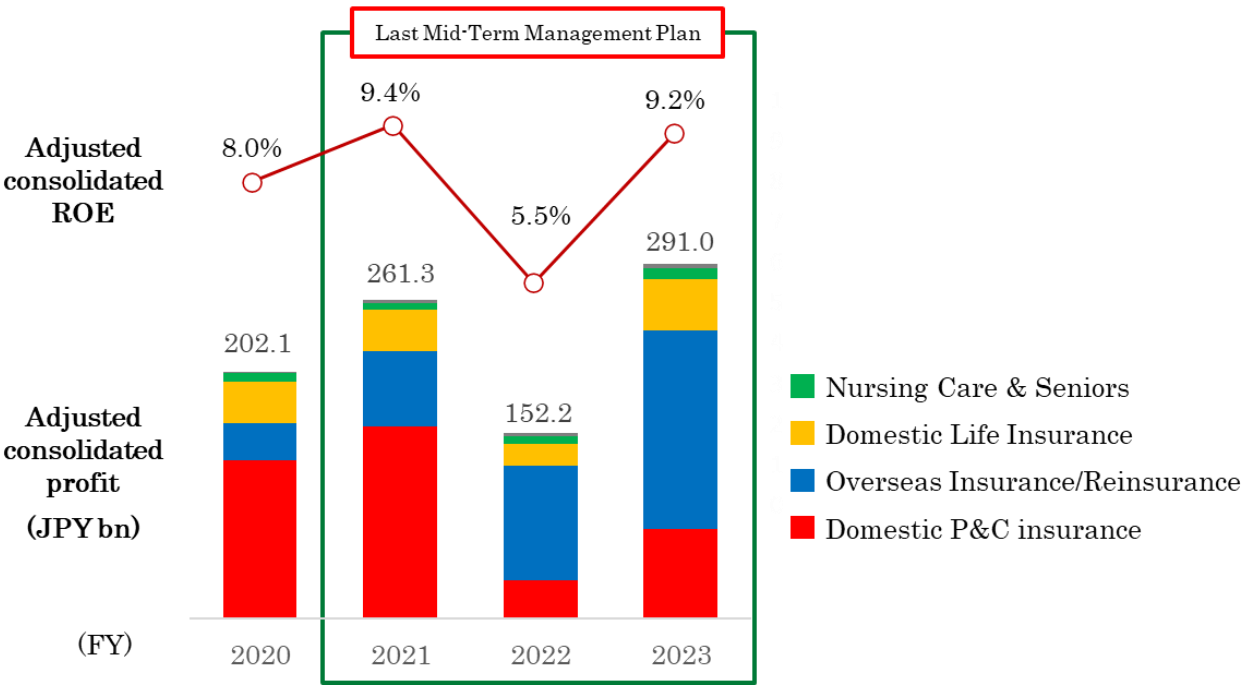
Sompo Holdings, Inc. (hereinafter the "Company") developed the Mid-Term Management Plan (FY2024-2026) which starts from FY2024.

1. Review of the last Mid-Term Management Plan

The Company worked to transform the Group and business portfolio by implementing the three core strategies which are "scale and diversification", "new customers value creation", and "new work style" under the last Mid-Term Management Plan (FY2021-2023).

Adjusted consolidated profit hit a record high of JPY291.0 billion and adjusted consolidated ROE was 9.2% in FY2023 since the Group's financial performance was largely driven by the overseas insurance business, etc.

＜Adjusted consolidated profit and adjusted consolidated ROE＞



The Financial Services Agency (hereinafter the "FSA") issued a business improvement order (administrative penalty) to the Company and Sompo Japan Insurance Inc. (hereinafter "Sompo Japan"), the Company's subsidiary, for fraudulent auto insurance claims, etc. and to Sompo Japan for price-fixing, etc. The Company and Sompo Japan will work as one to prevent recurrence at the Group level based on the business improve plans submitted to the FSA, reinforce customer protection, and regain the trust of all stakeholders.

2. SOMPO Group's Vision

Uncertainties about global economic conditions and global insurance market trends continue to increase. The Company's business environment may change dramatically because of the shrinking insurance market in Japan due to low birth rate and population aging, global increase in natural disasters due to climate change, more complex geopolitical risk, etc. and the business model may need to change due to digital progress, such as in mobility, wider use of generative AI, changes in consumer behavior, etc.

As such, SOMPO Group will rebuild customer base built over 130 years of history and lost trust of the customers in the domestic P&C insurance business, and implement strategies that leverage to the full extent the strengths developed during the past 10 years, such as expertise in international commercial insurance and leading position in both insurance and nursing care. SOMPO Group will evolve the Japan and international P&C insurance business in view of the changes in the business environment and the Group's strengths, and launch the wellbeing business to address social challenges facing Japan by leveraging health promotion in the domestic life insurance business as well as the Group's uniqueness of delivering both nursing care and various healthcare services to continue enhancing enterprise value.

＜SOMPO Group's Vision＞

① It is of utmost importance to increase resilience of the P&C insurance business both in Japan and internationally to continue delivering financial protection and health to customers. SOMPO Group aims to complete consolidation of the domestic P&C and overseas insurance businesses in the best way, and achieve a state of being able to flexibly scale business depending on the market size and changes in customers and risks.

② In the wellbeing business, SOMPO Group aims to achieve a state where seamless services are delivered by developing a platform which connects Group businesses, including insurance and nursing care, and connects various solutions for social challenges related to health, nursing care, and retirement finances.

3. SOMPO's Purpose

SOMPO Group's Purpose (reason for existence) with a view to realizing the above SOMPO Group's Vision was rephrased to make it simpler and easier to understand for all stakeholders in and outside the Group without changing the essence.

＜SOMPO's Purpose＞

For a future of health, wellbeing and financial protection

This expresses our desire to lead the way into the future by delivering services conducive to "health, wellbeing and financial protection", not just insurance, after reviewing the past and present and analyzing the voice of executives and employees about the future. The Company will step up efforts to gain empathy and instill SOMPO's Purpose.

4. Overview of the Mid-Term Management Plan (FY2024-2026)

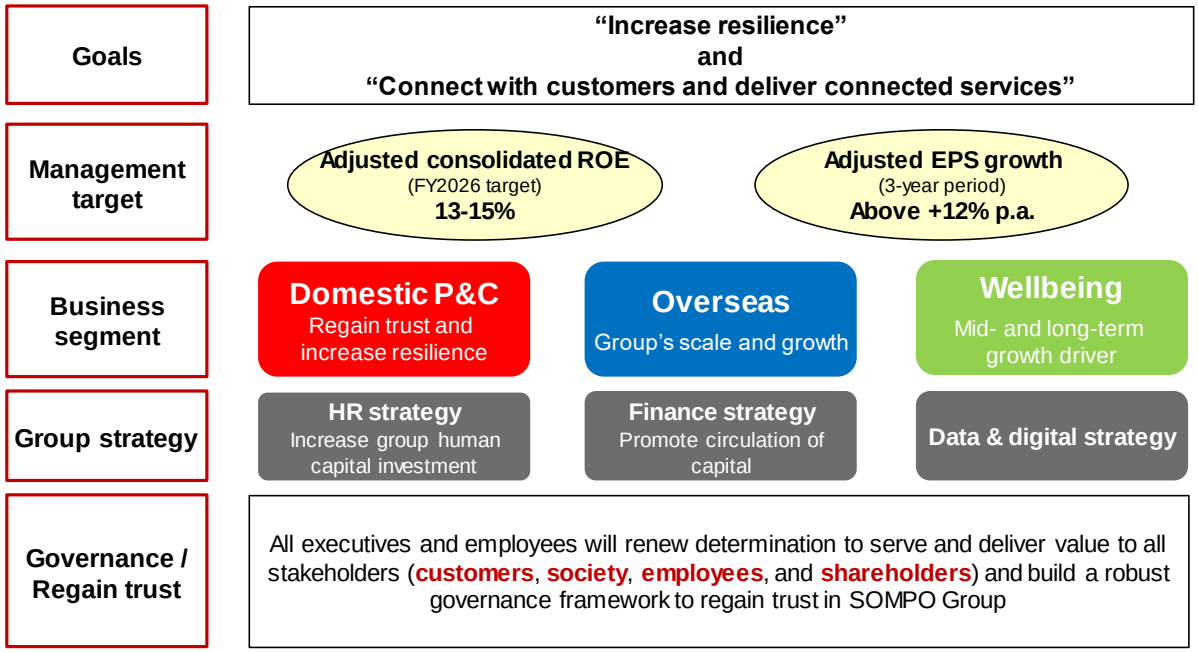
(1) Overview

The goals of the Mid-Term Management Plan (FY2024-2026) is to "increase resilience" and "connect with customers and deliver connected services" toward SOMPO Group's Vision.

The Company aims to raise the adjusted consolidated ROE to 13-15% and realize adjusted EPS growth of above +12% in 3 years' time by focusing on three business segments which are 1) domestic P&C insurance business which is working to regain trust and increase resilience, 2) overseas insurance business which drives the Group's scale and growth, and 3) wellbeing business which will drive growth in the mid to long term.

Group strategies (HR strategy, finance strategy, data & digital strategy) will also be implemented. The Company will implement governance reform which serves as a foundation for sound growth to increase transparency and effectiveness of governance.

＜Mid-Term Management Plan overview＞



(2) Growth strategy in each business segment

1) Domestic P&C insurance business

The domestic P&C insurance business will regain trust by fully implementing the business improvement plan, and focus on rebuilding the earnings structure and operating foundation. Sompo Japan will improve the framework primarily through "SJ-R", a project that involves portfolio reform, claims service reform, sales reform, etc. while improving the quality of operations.

2) Overseas insurance business

The overseas insurance business aims to expand business geographically and into new segments through disciplined underwriting and talent acquisition, increase investment income, and stably grow profits. Also, SOMPO Group will continue searching for M&A candidates with discipline toward discontinuous growth.

3) Wellbeing business

SOMPO Group will increase Himawari fans by focusing on insurance and health services in the domestic life insurance business, improve quality and efficiency of operator business and make headway on developing the platform, including *egaku*, in the nursing care business. SOMPO Group will also increase life time value (LTV) of each customer by delivering various solutions to extend healthy life expectancy.

(3) Group strategies

The following three group strategies will be implemented to support the group's growth.

1) HR strategy

Since it is crucial to secure quality and quantity of talent portfolio necessary for implementing the strategies of each business, the Company will encourage proactive career development and aims to become a group of professionals who are growth-oriented. For this, the Company will strengthen talent base through HR measures, human capital investment, and corporate culture change so that the company and employees can grow together.

2) Finance strategy

The Company will promote circulation of capital by allocating capital to highly capital efficient areas and withdrawing from low efficiency areas, delivering attractive shareholder return, revising the ESR target range, increasing remittance (aggregation of capital to the holding company), etc. to financially support implementation of individual business strategies and achievement of management targets.

3) Data & digital strategy

The Company will build a data and digital framework that is highly adaptable to changes in the business environment and enables agile decision-making through efficient and flexible use of group resources to improve the quality and productivity at each Group company through digitalization and shift to data-driven operations and organization.

(4) Governance

The Company will improve the framework to ensure separation of management oversight and business execution as well as transparent decision-making process by reinforcing the autonomous PDCA cycle at business companies and strengthening subsidiary management by the holding company, while placing the highest priority on increasing the effectiveness of governance to fully implement the business improvement plan and regain the trust in SOMPO Group.

(5) Group management targets

Adjusted consolidated profit is expected to decline YoY in FY2024 due to higher cost per claim in auto insurance and advance investment related to the SJ-R initiatives at Sompo Japan, etc. However, SOMPO Group aims to grow profits by reforming the operating foundation and earnings structure of the domestic P&C insurance business, growing the overseas insurance business with discipline, and accelerating growth of the wellbeing business, and raise the ROE and EPS by appropriately controlling the capital level.

Metric		Last Mid-Term Management Plan	Current Mid-Term Management Plan	
		FY2023 (Actual)	FY2024 (Forecast)	FY2026 (Forecast)
Adjusted consolidated ROE		9.2%	c. 7%	13-15% *1
Adjusted EPS growth		—	—	Above +12% p.a.*1
Adjusted consolidated profit (JPY bn)		291.0	255.0	—
	Domestic P&C	72.3	15.0	—
	Overseas	163.1	190.0	—
	Domestic Life	41.8	41.0	—
	Nursing Care	8.8	6.0	—

*1 Based on the definition (tentative) after adopting International Financial Reporting Standards (IFRS)

＜Reference＞

■ IR meeting materials: New Mid-Term Management Plan (FY2024-2026)
URL : https://www.sompo-hd.com/-/media/hd/en/files/doc/pdf/e_ir/2024/e_20240528.pdf

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