

## UNOFFICIAL TRANSLATION

The formal press release document is in Japanese.

May 23, 2006

### **Sompo Japan Group's New Mid-term Business Plan**

- Further strengthening risk management, compliance and human resources, accelerating top line expansion, and expanding scale and improving profitability -

Sompo Japan Insurance Inc. (hereinafter, "Sompo Japan"; Hiroshi Hirano, President) has drawn up a Mid-term Business Plan for the period FY2006 – FY2008 (hereinafter, "the new Mid-term Business Plan").

Launched in Sompo Japan's first year of business (FY2002), the previous Mid-term Business Plan achieved high profitability and enhanced business infrastructure through intensive structural reforms. The new Mid-term Business Plan is designed to increase the effectiveness of risk management and compliance and further enhance human resources, and then to accelerate top line expansion both to expand scale and improve profitability.

#### **1. Overview of new Mid-term Business Plan**

##### <1> Framework for business expansion

Sompo Japan seeks to fulfill the corporate image of one of the most prominent comprehensive service provider groups for risk and asset management in Japan. Positioning risk management, compliance, and human resources as the major premises for business expansion, Sompo Japan will pursue operational innovation to realize this corporate image.

##### <2> Essential features of New Mid-term Business Plan

To implement business innovations in conjunction with the development of concrete systems and schemes under the slogan "Something new," the new Mid-term Business Plan offers the following skeleton:

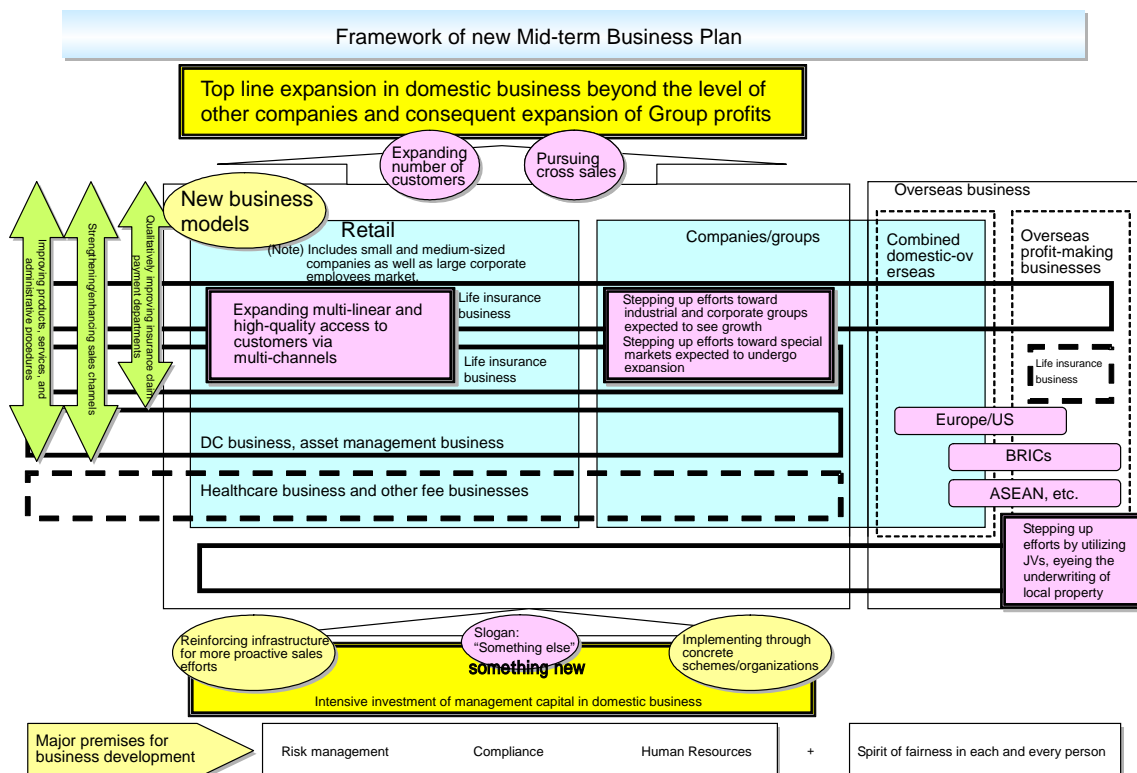
##### - **Slogan: "Something new"** -

[Major premises for business development]

Further strengthening risk management, compliance, and human resources

- (1) Improving front-line productivity and making more time available for sales efforts by enhancing "pro-active sales infrastructure"
- (2) Designating domestic business as the core business domain
- (3) Creating new business models primarily in the retail sector
- (4) Contributing to profits through overseas profit-making businesses
- (5) Reinforcing the life insurance and Defined Contribution Pension businesses

### <3> General representation of new Mid-term Business Plan



### <4> Accelerating expansion efforts

Sompo Japan will aggressively carry out anticipatory investment to expand scale and improve profitability. When investing management capital, priority will be given to the following.

#### (1) Strengthening human resources

While maintaining the efficient personnel structure achieved under the previous Mid-term Business Plan, Sompo Japan will create a virtuous cycle of “employee growth high value-added operations job satisfaction + significant outcomes” by enhancing strategic posting/hiring and pursuing personnel development through joint endeavors by the head office and front-line offices.

#### (2) New business models for the retail sector

##### 1) Reinforcing infrastructure for proactive sales efforts

**Strategic Call Center initiative** *something new*

Sompo Japan will utilize call center functions to achieve improved Customers' Satisfaction, top line expansion, improved front-line productivity, and greater time

available for sales forces. Plans are to expand this call center to 1,000 booths in future.

**Innovation in products, administrative procedures, and IT systems**

*something new*

Sompo Japan will innovate its products, administrative procedures and IT system – simplifying products and administrative procedures, increasing the convenience of agency systems, etc. – in order to improve front-line productivity and make more time available for sales forces. New system development costs are expected to total about ¥40 billion over three years.

**Development of knowledge-management system**

*something new*

Sompo Japan will design a scheme that will lead to improved front-line productivity and greater time available for sales forces.

## 2) Creation of specific schemes/organizations for proactive sales efforts

**Acceleration of cross-sales**

*something new*

Sompo Japan will enhance system equipment and upgrade databases in an effort to construct a scheme to facilitate approaches/proposals toward customer bases and a scheme by which to enable agents to cross-sell both non-life and life insurance.

**New business model for the small/medium-sized company market**

*something new*

Sompo Japan will construct a new scheme for cultivating the small/medium-sized company market by creating small company databases and utilizing strategic call centers.

**Provision of optimal products and services for customers/markets**

*something new*

Sompo Japan will put in place schemes/systems that allow customer needs to be met and optimal products and recruitment systems to be developed quickly, and will shorten the lead time required to make products available.

**Bolstering of direct and hybrid sales on collaboration with agents**

*something new*

Sompo Japan will develop insurance products suitable for hybrid sales – such as the new long-term medical insurance “Dr. Japan” – through collaboration with agents.

## (3) More examples of “something new”

**New core agent initiative**

*something new*

By organically and intensively applying the know-how accumulated thus far (e.g., methods for promoting next-generation agent operations), Sompo Japan will create management systems to expand its insurance business and establish dedicated and specialized agents with truly independent sales capabilities.

Co-existing with agents through the use of strategic call centers

*something new*

Sompo Japan will support agents by utilizing strategy call centers and improving customer service capabilities, and will endeavor to develop its customer base.

## 2. Numerical targets in new Mid-term Business Plan

Sompo Japan will commit to the growth in net premiums written as an indicator of expansion of scale, and a new consolidated adjusted ROE as an indicator of improved profitability.

<1> Growth of net premiums written (Sompo Japan on a non-consolidated basis)

Three-year average for FY2006-FY2008: **+3.3%**

<2> New consolidated adjusted ROE (\*)

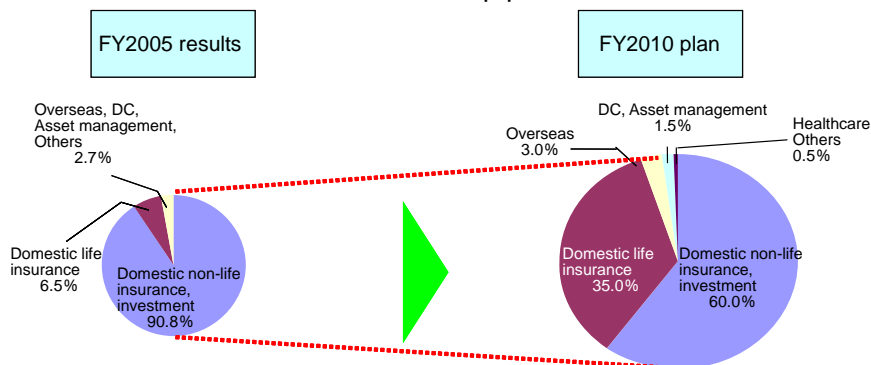
FY2010: **15%**

(\*) New consolidated adjusted ROE

$$= \frac{\text{Consolidated net income} - \text{gains from sales of stocks/real estate as well as unrealized losses (after taxes)}}{\text{Average balance of (consolidated shareholders' equity} - \text{unrealized gains of stock [after taxes])}}$$

## 3. Business portfolio

The changes in the business portfolio on a profit base are shown below. With the domestic non-life insurance business and investment as foundations, the relative weight of profits from the domestic life insurance business, the second pillar of Group profits, should rise to 35% in FY2010. Overseas business, Defined Contribution Pension business, and other businesses will also contribute to Group profits.



Only Himawari Life Insurance uses adjusted EV increases (note); others use current net income.

(Note) The impacts of (1) interest rate fluctuations, (2) discount rate fluctuations, and (3) capital increases and shareholder dividends are deducted from the EV increase.

#### **4. Improving shareholder value**

Sompo Japan will seek a steady increase in the actual amounts of return to shareholder, focusing on dividends. Dividend on Equity (DOE\*) will be used as an indicator of success in this regard, with the medium- to long-term target being 2%.

DOE is the ratio of return to shareholders' equity and can be factored as "ROE x dividend payout ratio." Sompo Japan will improve shareholder value by increasing both of these factors.

$$(*) \text{ DOE} = \frac{\text{Total dividend}}{\text{Consolidated shareholder's equity (average balance)}}$$

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