

## UNOFFICIAL TRANSLATION

The formal press release document is in Japanese.

November 22, 2006

### **Sompo Japan Regeneration Plan (Revised version of New Medium-Term Business Plan)**

**—Toward “recovery of trust,” “contribution to society” and  
“achievement of customer-first policy”—**

Sompo Japan Insurance Inc. (hereinafter, “Sompo Japan;” President: Masatoshi Sato) devised its Sompo Japan Regeneration Plan (hereinafter, “Regeneration Plan”) based on a business improvement plan the Company presented to the Financial Services Agency (FSA) on June 26 and views expressed by its employees and customers. The Company released the Regeneration Plan on September 25 this year.

Based on the Regeneration Plan, Sompo Japan will do its utmost to enhance the effectiveness of measures being introduced to improve corporate governance, risk management and compliance and in order to establish systems meant to foster a more transparent corporate culture. By doing so, the Company aims to improve its innate corporate culture and the quality of its business management as well as accelerate efforts to allocate much of the company’s business resources in areas related to the Company’s growth strategy, focusing mainly on establishing business infrastructure for front-line business operations. The Company is also endeavoring to strengthen its earnings base in line with two major goals set for the future—accelerated expansion of business scale and reinforcement of earnings power.

In accordance with the Regeneration Plan, Sompo Japan has revised numerical business targets envisaged under the New Medium-Term Business Plan that took effect at the start of fiscal 2006, and set new targets under the Regeneration Plan.

In line with the Regeneration Plan, each and every employee of Sompo Japan will unite to ensure the Company’s steady revival by placing the highest priority on achieving the goals of “recovery of trust,” “contribution to society” and “customer-first policy.”

#### **1. Basic policy**

Based on the business improvement plan presented to FSA on June 26, 2006, Sompo Japan aims to promote two major premises for its business activity—enhancement of corporate governance, risk management and compliance (Business Base Enhancement Initiative), and establishment of a framework to foster a transparent corporate culture (Employee Activation Initiative). In addition, the company, by pursuing its customer first policy as well as teaming up with its agencies, will try to provide excellent solutions for risks and asset management. The company will first build a solid business base and then will try to realize growth and a genuine management philosophy centering on five core concepts.

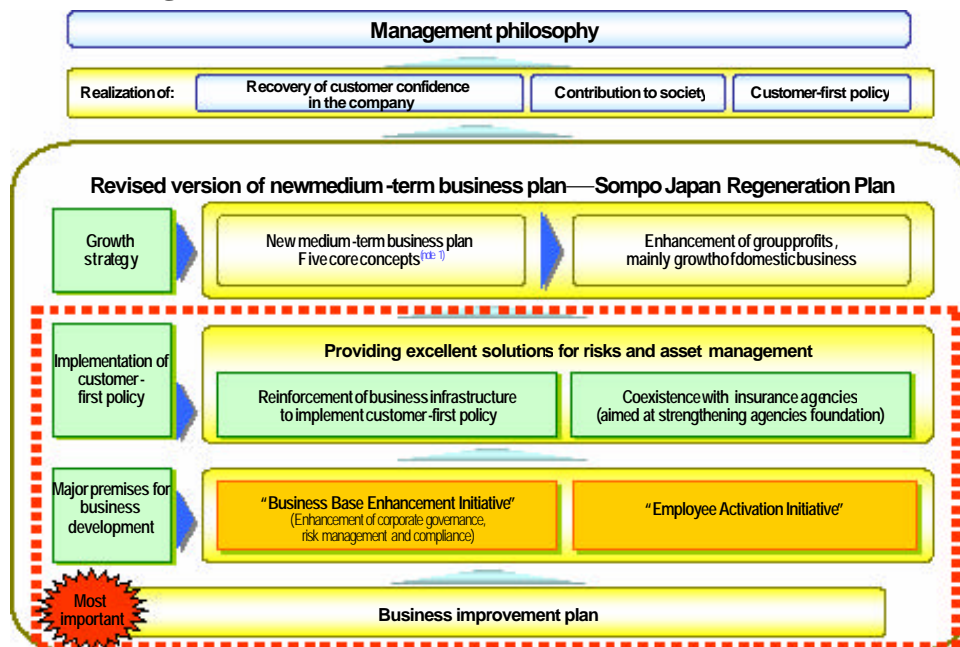
Sompo Japan has recognized two important tasks it should tackle immediately following the compilation of the business improvement plan and the receipt of opinions and views expressed by its employees. They are: further enhancing the transparency of corporate governance, risk management and compliance, and fostering a work environment in which employees—valuable assets of the company—can work energetically with a sense of fulfillment.

Regeneration Plan has made two tasks mentioned above major premises for the company’s business activity and aims to realize transparent business management, smooth communication between employees and the management, and in-house systems that can be understood by all employees.

Additionally, Sompo Japan, by pursuing its customer-first policy as well as working together with its agencies, will try to provide excellent solutions for risks and asset management. By stepping up efforts to reinforce

management basis, the company will try to achieve recovery of customer confidence in the company, its contribution to society and its customer-first policy. In addition, the company will implement a growth strategy centering on the five core concepts which is shown in the new medium-term business plan in a bid to enhance profitability of the entire group, particularly growth of domestic business.

## 2. Structure of Regeneration Plan



(Note 1) <New medium-term business plan: five core concepts>

- (1) Designating domestic business as core business domain
- (2) Improving front-line productivity and making more time available for sales efforts by enhancing “pro-active sales infrastructure”
- (3) Creating new business models, primarily in retail market (Note 2)  
(Note 2: includes small and medium-sized companies, large corporate employees market and organizations)
- (4) Contributing to profits through overseas profitable business
- (5) Reinforcing life insurance business and defined contribution pension business, and further investment in new business

## 3. 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> Net premiums written (non-consolidated basis)

FY2008: 1.45 trillion yen

(Two-year average growth rate for FY2007-FY2008: +2.8%)

<2> New consolidated adjusted ROE (Note 3)

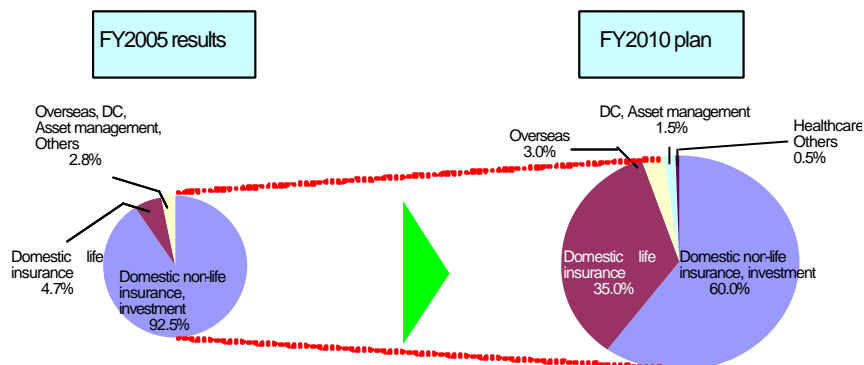
FY2010: 13%

(Note 3) New consolidated adjusted ROE

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

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

## 5. Increase shareholder value

Sompo Japan will seek a steady increase in the actual amounts of return to shareholder, focusing on dividends. Dividend on Equity (DOE: Note 5) will be used as an indicator of success in this regard, with the medium- to long-term target being 2%.

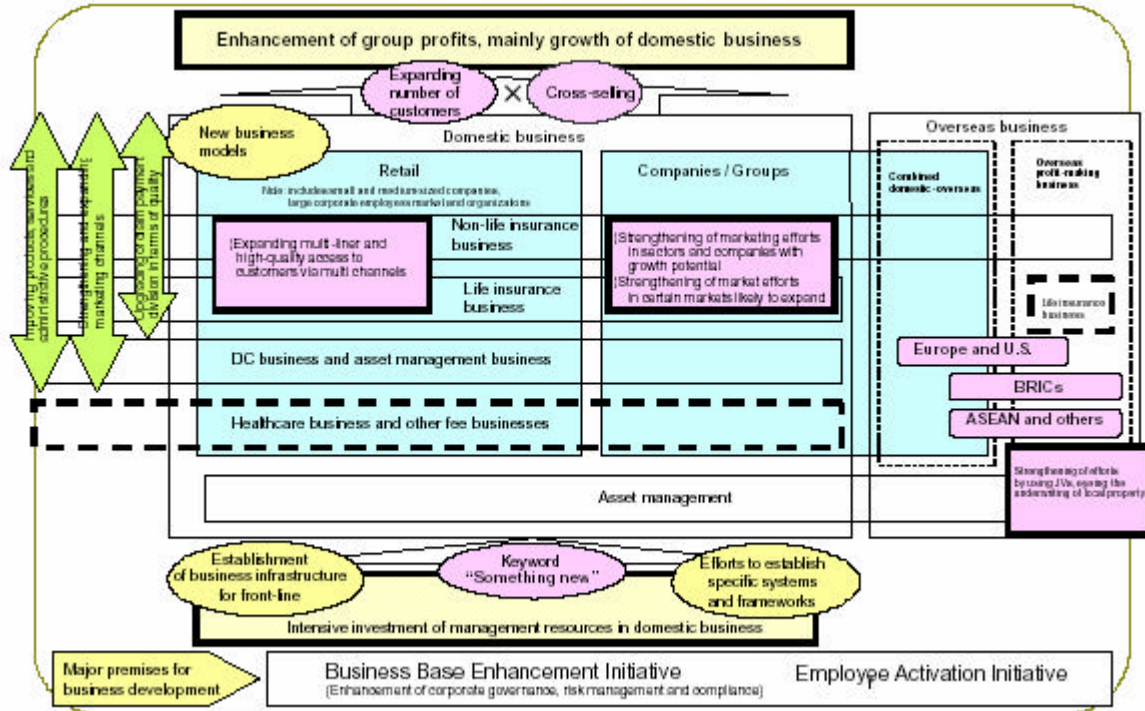
DOE is the ratio of return to net asset and can be factored as “ROE x dividend payout ratio.” Sompo Japan will increase shareholder value by improving both of these factors.

$$\text{(Note 5) DOE} = \frac{\text{Total dividend}}{\text{Consolidated net asset (average balance)}}$$

END

## Growth strategy of Sompo Japan Regeneration Plan

### 1. Structure of growth strategy



### 2. Five core concepts

#### <1> Designating domestic business as core business domain

The Company gives top priority to increase of group profit focusing mainly on the growth of domestic business. To utilize limited management resource to the maximum, the Company infuses the resource intensively to the area where it clarifies to be important and it will pursue sustainable core competence. A major key to expanding the Company's market shares is the promotion of a double-edged focus to "increase the number of customers" and "promote cross-selling of both life insurance and non-life insurance products." In order to achieve this, the Company will concentrate on three main policy areas: 1) promotion of the Business Base Enhancement Initiative (enhancing effectiveness of measures being envisaged to strengthen corporate governance, risk management and compliance) and the Employee Activation Initiative; 2) improving productivity and time creation within front-line business activities by establishing front-line business infrastructure; and 3) building of a new business model mainly in retail business fields.

#### <2> Improving front-line productivity and making more time available for sales efforts by enhancing "pro-active sales infrastructure"

The Company will allocate much of its business resources to efforts to establish specific business systems to increase productivity and enabling time creation within front-line business activities. By doing so, the Company will aim to build a marketing system in which competitiveness of front-line business activities can be maximized.

The specific business systems being envisaged are: expansion of a strategic call center, innovation of products, clerical work and IT systems, and building of knowledge-management systems.

(1)Expansion of strategic call center

A strategic call center is a model designed to realize an improvement of customer satisfaction, an agency support and a development of new market. It comprises: 1) a CS call center to enable customer opinions to be reflected in business improvement and new products; 2) a market development center meant to tap a new market; and 3) an agency support center to field inquiries by insurance agencies to realize time creation at sales departments. The company plans to make two or more call centers in order to eliminate an over concentration risk and to increase the number of booths as a top level in Japan.

(2)Innovation of products, clerical work and IT systems

Responding to voices of employees, agencies and customers, the Company will aim to realize: 1) simplification of products and rules; 2) simplification and enhancement of accuracy regarding budget appropriation; 3) account-adjustment renewal (expansion of cashless systems); 4) support in answering inquiries from sales departments; and 5) increased convenience of insurance agencies' IT systems.

(3)Building of knowledge-management systems

Introducing advanced knowledge-management systems, the Company will aim to realize: 1) speedy information retrieval; 2) making information value visible; and 3) promotion of interaction between employees and exchanges of business know-how.

<3>Creating new business models, primarily in retail market (Note 6)

(Note 6) Retail sector includes medium- and small-sized companies, large corporate employees and organizations.

The Company will build a new business model in retail market to establish a business system and foundation, in which our business scale can be continuously expanded and group earnings can be expected to rise.

The concept of the new business models is designed to 1) promote collaboration with sales agencies by pursuing customer-oriented business; 2) maximize synergy effects from the use of a variety of channels; 3) strengthen marketing power through time creation for sales force and agencies; and 4) increase earnings of the Sompo Japan Group.

In order for the Company to outdo other insurance companies in retail sector it will be key to 1) realize double-track and multi-channel access to customers at low cost; 2) offer optimal products using optimal channels by grasping the needs of segmented markets in a dynamic manner; and 3) realize the model earlier and establish de facto standard.

Specific measures envisaged for a successful retail business are: expansion of the strategic call center, innovation of products, clerical work and computer systems, building of a knowledge-management system, promotion of a strategy to set up core agencies that have next generation agencies' management system and self-sufficient sales skills, devising of a scheme to establish symbiotic relations between the Company and agencies, promotion of cross-selling of life and non-life insurance products, development of new markets targeting medium- and small-sized companies, reinforcement of sales channels taking advantage of characteristics of marketing networks operated by dealers, and accelerated implementation of measures to realize the "Pledge to Inspire," which is a campaign being promoted by all employees to improve business-management quality.

<4>Contributing to profits through overseas profitable business

Sompo Japan's overseas business operations are divided into two types—business operations to support business activities of Japanese-affiliated corporate customers operating abroad and independent overseas operations to generate earnings. By dividing overseas operations into two types, the Company will try to expand its overall earnings while clarifying the roles and responsibilities of profit and revenue management.

Regarding the first type of overseas business, the Company will set up Global Corporate Business Support Group within Corporate Business Planning Department in order to provide optimal solutions to corporate

customers operating globally. By doing so, the Company will not only ensure orders from global companies but also improve the ability of its corporate business sectors to respond to customer needs.

Regarding the second type of overseas business, the Company will conduct its operation in a flexible manner by setting market-by-market earnings standards. In BRIC and ASEAN markets, for example, the Company will aim to expand its group earnings with an eye toward undertaking insurance services for local properties.

<5>Reinforcing life insurance business and defined contribution pension businesses (DC business), and further investment in new business

Given the possibility that profitability from its non-life insurance business could decline in the future, Sompo Japan will step up efforts to concentrate business resources within its life insurance and DC businesses, which have become the second and third revenue sources respectively, following the non-life insurance business.

In regard to the life insurance business, the Company will endeavor to expand its group earnings and its group value by combining channel and marketing strategies. Sompo Japan Himawari Life Insurance, 100% subsidiary of Sompo Japan, is expected to register about 10 billion yen in pretax profit in FY2006 and will increase embedded value largest among life insurance companies set up by non-life insurance firms by boosting its marketing foundation and will focus more of its business weight on highly profitable products. Meanwhile, Sompo Japan DIY Life Insurance, 100% subsidiary of Sompo Japan, aims to establish footholds in niche markets by building a unique business model called one year term life insurance with free arrangement of additional coverage.

Within the DC business, Sompo Japan aims to secure top industry status in terms of the number of DC contracts trusted to the Company on behalf of corporate clients and the number of individual DC subscribers by taking advantage of its strength in the business, such as bundle services.

In addition, Sompo Japan is prepared to further expand investment into new business fields which may become the fourth or fifth revenue sources in the future. In addition to the life insurance and DC business fields, the Company will also invest part of its proceeds from the non-life insurance business in promising new business fields.

### **3. Segment-by-segment strategies (other than core-concept areas)**

<1>Domestic non-life insurance business

(1)Retail business strategy

By building a new business model, Sompo Japan will try to improve productivity in its front-line sales operations, actively promote time creation, and offer new business tools and frameworks. Regarding front-line sales activities, the Company will strengthen the foundation of its agencies, promote cross-selling of both life and non-life insurance products and accelerate efforts to capture more small- and medium-sized corporate clients. Successful examples of these efforts have been accumulated across the nation. Employees or sales departments of Sompo Japan nationwide are increasingly sharing information on these successes by utilizing the Company's advanced knowledge-management system in a bid to realize high sales quality and standardization. Through such efforts, the Company aims to establish a solid business-operation cycle in which productivity by front-line sales staff increases along with the Company's sales power.

(2)Business strategy for corporate and Organization clients

The Company will reinforce efforts to tap corporations which are seen to have growth potential along with other specific markets expected to expand. The Company will make efforts to improve its in-house system, including concentrating the function of supporting corporate clients within Corporate Business Planning Department. By clarifying strategies in property management, retail and employee contracts, as well as contracts with public offices and organizations, Sompo Japan will endeavor to boost its earnings.

Specifically, the Company will make efforts to strengthen its ability to provide comprehensive solutions, win retail and employee contracts by tapping retiree markets, and secure property management contracts by offering comprehensive risk-management services and boosting domestic support systems.

(3)Strategy on service center (SC: claim payment department)

The mission and role of SC are to enhance SC brand power by improving SC quality through specific structural reforms. Sompo Japan takes seriously and gravely the situation in which the Company was required to pay additional insurance claims to customers, and will do its utmost to live up to expectations of all stakeholders and regain their confidence in the Company.

Sompo Japan will strengthen business infrastructure required for front-line SC activities by reviewing personnel deployment, reinforcing manpower training, revising staff structures, and reviewing IT systems, manuals, rules and product lines. Through these efforts, the Company aims to transform its SC into entities that offer services of the highest quality while exceeding customer expectations.

(4)Product strategy, risk retention and reinsurance strategy

Sompo Japan will work toward developing optimal insurance products that exactly reflect market trends, and also further simplify product lines.

Based on the administrative order, the Company will thoroughly review and inspect on mainstay auto insurance from the standpoint of compensation, premium rates, procedures, services and marketing methods.

On risk retention and reinsurance strategy, the Company will further enhance capital efficiency and boost risk management by appropriate risk retention.

<2>Investment

In a bid to further expand returns and efficiency, Sompo Japan will shift its basic concept from risk reduction to enhancement of expected returns. The Company will review an investment portfolio from the standpoint of improvement of risk to return and enhance the investment which is adequate for the change of economic and market environment.

<3>Third sector

Sompo Japan will redouble efforts to further improve its claim-payment systems and functions regarding third sector products. Through the effort of Sompo Japan and Sompo Japan Himawari Life, Sompo Japan Group is aiming to establish a solid presence earlier. The Company will also step up efforts to sell third sector products by taking advantage of environmental change, including the lifting of a ban on over-the-counter sale of third-category products at banks.

<4>Other business

In regard to its asset-management business, Sompo Japan will continue to offer attractive financial products as well as expand commission fees from management of such products in response to favorable business conditions, including expanding asset-management markets associated with lump-sum retirement allowances and diversification of asset-management options by individuals.

For its fee-based businesses, including the healthcare business, the Company has established Healthcare Frontier Japan Inc. jointly with Omron Corp., the leading company in the healthcare industry. Already, the joint venture has launched disease-prevention business well ahead of other companies. In addition, Sompo Japan is also considering launching new health-related business in response to government moves to reform its public medical insurance system.

#### <5>M&A and alliance

Sompo Japan will actively undertake mergers and acquisitions (M&A) and utilize business alliances as a means of bringing about “expanding scale” effects compatible with “earnings enhancement” and “buying times.”

In regard to the business alliance with Dai-ichi Mutual Life Insurance, Sompo Japan will accelerate efforts to build the industry’s strongest and supreme comprehensive life and non-life insurance group by improving the quality of marketing channels in addition to selling each product.

The Company will also promote business tie-ups with blue-chip companies in other industries to take advantage in costs and difference in know-how, and will accelerate expansion of business operations and improvement of business efficiency.

### **4. Response actions in the wake of structural changes**

#### <1>Over-the-counter sales by banks

Responding to complete deregulation of over-the-counter sales by banks in December 2007, Sompo Japan will develop, market products, and assist banks while taking characteristics of banks and their business into account.

#### <2>Response actions regarding other structural changes

Sompo Japan is prepared to seize new business opportunities that may arise from moves to privatize postal services in Japan by keeping a close tab on any development in the market. The Company will also try to expand its earnings from life and non-life insurance businesses while taking changes in business conditions including discretionary mutual insurance services (mutual insurance business not backed by relevant law) into consideration.