SOMPO HOLDINGS

UNOFFICIAL TRANSLATION

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Summary of Consolidated Financial Results for the nine months ended December 31, 2016

Supplementary Information

February 14, 2017

Sompo Holdings, Inc.

（ Securities Code : 8630 ）

Summary of Consolidated Financial Results for the nine months ended December 31, 2016

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Overview of Business Results of Principal Consolidated Subsidiaries

Sompo Japan Nipponkoa Insurance Inc. (Non-consolidated)

Quarterly Balance Sheet

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016	Increase (Decrease)
	Amount	Amount	
Assets:			
Cash and deposits	319,616	556,987	237,370
Receivables under resale agreements	77,998	109,999	32,000
Monetary receivables bought	11,383	8,124	(3,258)
Money trusts	114,639	102,969	(11,669)
Securities	4,920,555	5,049,361	128,805
Loans	679,023	619,013	(60,009)
Tangible fixed assets	294,882	288,468	(6,413)
Intangible fixed assets	17,147	33,702	16,555
Other assets	611,468	578,201	(33,266)
Prepaid pension cost	889	885	(3)
Allowance for possible credit losses	(3,363)	(3,467)	(103)
Allowance for possible investment losses	(8,018)	(7,865)	153
Total assets	7,036,222	7,336,381	300,159
Liabilities:			
Underwriting funds:	4,926,703	4,886,203	(40,500)
Reserve for outstanding losses and claims	912,975	914,686	1,710
Underwriting reserves	4,013,727	3,971,516	(42,210)
Corporate bonds	133,560	333,560	200,000
Other liabilities	454,688	323,181	(131,506)
Reserve for retirement benefits	85,748	91,822	6,074
Reserve for bonus payments	18,092	4,675	(13,417)
Reserve for bonus payments to directors	88	—	(88)
Reserves under the special laws:	58,169	64,239	6,069
Reserve for price fluctuation	58,169	64,239	6,069
Deferred tax liabilities	34,289	79,159	44,869
Total liabilities	5,711,340	5,782,841	71,501
Net assets:			
Shareholders' equity:			
Common stock	70,000	70,000	—
Capital surplus	93,878	93,801	(76)
Retained earnings	293,184	395,819	102,635
Total shareholders' equity	457,062	559,621	102,559
Valuation and translation adjustments:			
Unrealized gains and losses on securities available for sale	857,308	957,178	99,870
Deferred gains and losses on hedges	10,510	36,740	26,229
Total valuation and translation adjustments	867,818	993,918	126,099
Total net assets	1,324,881	1,553,540	228,658
Total liabilities and net assets	7,036,222	7,336,381	300,159

Sompo Japan Nipponkoa Insurance Inc. (Non-consolidated)

Quarterly Statement of Income

(Millions of yen)

	Nine months ended December 31, 2015 (April 1 to December 31, 2015)	Nine months ended December 31, 2016 (April 1 to December 31, 2016)	Increase (Decrease)	Rate of change
	Amount	Amount		
				%
Ordinary income:	1,919,368	1,904,407	(14,960)	(0.8)
Underwriting income:	1,817,886	1,797,730	(20,155)	(1.1)
Net premiums written	1,685,937	1,618,829	(67,108)	(4.0)
Deposits of premiums by policyholders	94,226	102,184	7,957	8.4
Interest and dividend income on deposits of premiums, etc.	33,369	33,500	130	0.4
Reversal of underwriting reserves	2,634	42,210	39,576	1,502.0
Investment income:	95,163	100,973	5,810	6.1
Interest and dividend income	84,665	82,230	(2,435)	(2.9)
Investment gains on money trusts	6,223	1,640	(4,583)	(73.6)
Gains on sales of securities	28,502	43,504	15,001	52.6
Transfer of interest and dividend income on deposits of premiums, etc.	(33,369)	(33,500)	(130)	—
Other ordinary income	6,318	5,703	(615)	(9.7)
Ordinary expenses:	1,830,688	1,753,556	(77,132)	(4.2)
Underwriting expenses:	1,559,153	1,483,714	(75,439)	(4.8)
Net claims paid	967,996	927,373	(40,622)	(4.2)
Loss adjustment expenses	93,068	95,118	2,049	2.2
Net commissions and brokerage fees	303,887	289,098	(14,788)	(4.9)
Maturity refunds to policyholders	184,134	165,977	(18,157)	(9.9)
Provision for reserve for outstanding losses and claims	7,645	1,710	(5,934)	(77.6)
Investment expenses:	26,705	21,682	(5,023)	(18.8)
Investment losses on money trusts	89	145	56	62.7
Losses on sales of securities	1,606	2,911	1,305	81.3
Impairment losses on securities	20,237	723	(19,513)	(96.4)
Operating, general and administrative expenses	239,061	239,860	799	0.3
Other ordinary expenses:	5,768	8,299	2,530	43.9
Interest paid	3,532	5,032	1,499	42.4
Ordinary profit	88,679	150,850	62,171	70.1
Extraordinary gains:	6,696	675	(6,021)	(89.9)
Gains on disposal of fixed assets	6,696	675	(6,021)	(89.9)
Extraordinary losses:	14,017	11,885	(2,131)	(15.2)
Losses on disposal of fixed assets	1,361	5,618	4,256	312.7
Impairment losses	—	197	197	—
Provision for reserves under the special laws:	6,207	6,069	(138)	(2.2)
Provision for reserve for price fluctuation	6,207	6,069	(138)	(2.2)
Other extraordinary losses	6,448	—	(6,448)	(100.0)
Net income before income taxes	81,358	139,640	58,281	71.6
Income taxes and deferred income taxes	20,258	37,004	16,746	82.7
Net income	61,100	102,635	41,535	68.0

Underwriting result:					
Net premiums written	(+)	1,685,937	1,618,829	(67,108)	(4.0)
Net claims paid	(−)	967,996	927,373	(40,622)	(4.2)
Loss adjustment expenses	(−)	93,068	95,118	2,049	2.2
Net operating expenses:	(−)	532,893	517,047	(15,846)	(3.0)
Net commissions and brokerage fees		303,887	289,098	(14,788)	(4.9)
Operating, general and administrative expenses related to underwriting		229,006	227,948	(1,057)	(0.5)
Underwriting result		91,978	79,290	(12,688)	(13.8)
Underwriting profit		29,816	85,880	56,063	188.0
Ratios:					
Net loss ratio	(%)	62.9	63.2	0.2	
Net operating expenses ratio	(%)	31.6	31.9	0.3	
Combined ratio	(%)	94.5	95.1	0.6	

Sompo Japan Nipponkoa Insurance Inc. (Non-consolidated)

Premiums Written and Claims Paid by Business Lines

Direct premiums written (excluding deposits of premiums by policyholders)

(Millions of yen)

Business line	Nine months ended December 31, 2015 (April 1 to December 31, 2015)			Nine months ended December 31, 2016 (April 1 to December 31, 2016)		
	Amount	% of total amount	Rate of change	Amount	% of total amount	Rate of change
		%	%		%	%
Fire and allied insurance	295,114	16.7	11.3	257,432	14.8	(12.8)
Marine insurance	38,911	2.2	0.2	33,652	1.9	(13.5)
Personal accident insurance	142,727	8.1	0.8	141,638	8.2	(0.8)
Voluntary automobile insurance	799,794	45.3	3.0	806,599	46.5	0.9
Compulsory automobile liability insurance	237,974	13.5	(0.5)	233,457	13.5	(1.9)
Others	252,108	14.3	2.0	262,098	15.1	4.0
Total	1,766,631	100.0	3.4	1,734,878	100.0	(1.8)
Deposits of premiums by policyholders	94,226	——	(20.6)	102,184	——	8.4

Net premiums written

(Millions of yen)

Business line	Nine months ended December 31, 2015 (April 1 to December 31, 2015)			Nine months ended December 31, 2016 (April 1 to December 31, 2016)		
	Amount	% of total amount	Rate of change	Amount	% of total amount	Rate of change
		%	%		%	%
Fire and allied insurance	257,911	15.3	9.3	204,501	12.6	(20.7)
Marine insurance	39,271	2.3	(0.1)	32,703	2.0	(16.7)
Personal accident insurance	141,974	8.4	(0.5)	139,541	8.6	(1.7)
Voluntary automobile insurance	799,182	47.4	2.8	805,765	49.8	0.8
Compulsory automobile liability insurance	233,512	13.9	2.5	219,288	13.5	(6.1)
Others	214,084	12.7	1.6	217,027	13.4	1.4
Total	1,685,937	100.0	3.2	1,618,829	100.0	(4.0)

Net claims paid

(Millions of yen)

Business line	Nine months ended December 31, 2015 (April 1 to December 31, 2015)			Nine months ended December 31, 2016 (April 1 to December 31, 2016)		
	Amount	Rate of change	Net loss ratio	Amount	Rate of change	Net loss ratio
		%	%		%	%
Fire and allied insurance	173,391	(2.8)	68.6	147,650	(14.8)	74.0
Marine insurance	22,539	10.8	60.6	19,653	(12.8)	63.4
Personal accident insurance	75,660	(1.1)	57.6	70,869	(6.3)	55.1
Voluntary automobile insurance	420,292	(1.8)	60.1	415,708	(1.1)	59.2
Compulsory automobile liability insurance	172,278	0.0	80.2	171,171	(0.6)	84.9
Others	103,834	(0.4)	52.0	102,319	(1.5)	50.6
Total	967,996	(1.2)	62.9	927,373	(4.2)	63.2

Sompo Japan Nipponkoa Insurance Inc. (Non-consolidated)

Non-consolidated Solvency Margin Ratio

(Millions of yen)

		As of March 31, 2016	As of December 31, 2016
(A) Total Non-consolidated Solvency Margin		2,363,853	2,858,473
	Capital and funds, etc.	456,986	559,621
	Reserve for price fluctuation	58,169	64,239
	Contingency reserve	611	611
	Catastrophic loss reserve	563,738	579,326
	General allowance for possible credit losses	208	212
	Unrealized gains and losses on securities, deferred gains and losses on hedges (before tax effect deductions)	1,057,747	1,168,107
	Unrealized gains and losses on land	42,989	56,534
	Excess amount of reserve for maturity refunds	—	—
	Subordinated debt, etc.	133,560	333,560
	Excess amount of reserve for maturity refunds and subordinated debt, etc. which are excluded from total solvency margin	—	—
	Deductions	74,158	67,297
	Others	124,000	163,557
(B) Total Non-consolidated Risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$		648,203	698,810
	Underwriting risk (R_1)	183,289	185,130
	Underwriting risk for third-sector insurance products including accident, sickness and nursing-care insurance (R_2)	—	—
	Guaranteed interest rate risk (R_3)	22,035	21,624
	Investment risk (R_4)	440,046	509,229
	Business management risk (R_5)	15,617	16,717
	Major catastrophe risk (R_6)	135,479	119,884
(C) Non-consolidated Solvency Margin Ratio [(A) / {(B) × 1/2}] × 100		729.3 %	818.0 %

Note) The above amounts and figures are calculated based on provisions of Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act and Public Notice No. 50 of the Ministry of Finance (1996). The amounts and figures as of December 31, 2016 are partly calculated by using the simplified method. For example, some bases for the major catastrophe risk calculation are deemed the same as the amounts and figures as of September 30, 2016.

SAISON AUTOMOBILE AND FIRE INSURANCE COMPANY, LIMITED (Non-consolidated)

Quarterly Balance Sheet

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016	Increase (Decrease)
	Amount	Amount	
Assets:			
Cash and deposits	2,329	22,975	20,646
Securities	40,139	16,928	(23,211)
Loans	1	0	(1)
Tangible fixed assets	183	190	7
Intangible fixed assets	2,966	3,026	60
Other assets	3,652	5,599	1,947
Allowance for possible credit losses	(1)	(0)	1
Total assets	49,272	48,721	(551)
Liabilities:			
Underwriting funds:	34,919	39,567	4,647
Reserve for outstanding losses and claims	10,132	11,816	1,683
Underwriting reserves	24,786	27,750	2,964
Other liabilities	2,869	1,781	(1,087)
Reserve for retirement benefits to directors	49	20	(28)
Reserve for bonus payments	247	136	(110)
Reserves under the special laws:	36	39	2
Reserve for price fluctuation	36	39	2
Deferred tax liabilities	155	141	(14)
Total liabilities	38,277	41,687	3,409
Net assets:			
Shareholders' equity:			
Common stock	26,610	26,610	—
Capital surplus	24,847	24,847	—
Retained earnings	(40,954)	(44,879)	(3,924)
Total shareholders' equity	10,503	6,578	(3,924)
Valuation and translation adjustments:			
Unrealized gains and losses on securities available for sale	491	455	(36)
Total valuation and translation adjustments	491	455	(36)
Total net assets	10,995	7,034	(3,960)
Total liabilities and net assets	49,272	48,721	(551)

SAISON AUTOMOBILE AND FIRE INSURANCE COMPANY, LIMITED (Non-consolidated)

Quarterly Statement of Income

(Millions of yen)

	Nine months ended December 31, 2015 (April 1 to December 31, 2015)	Nine months ended December 31, 2016 (April 1 to December 31, 2016)	Increase (Decrease)	Rate of change
	Amount	Amount		
				%
Ordinary income:	21,608	26,263	4,655	21.5
Underwriting income:	21,418	26,213	4,795	22.4
Net premiums written	21,309	26,146	4,837	22.7
Deposits of premiums by policyholders	78	36	(41)	(52.8)
Interest and dividend income on deposits of premiums, etc.	29	30	0	2.2
Investment income:	93	46	(47)	(50.4)
Interest and dividend income	86	73	(13)	(15.5)
Gains on sales of securities	20	3	(16)	(81.1)
Transfer of interest and dividend income on deposits of premiums, etc.	(29)	(30)	(0)	—
Other ordinary income	95	3	(92)	(96.4)
Ordinary expenses:	25,137	30,175	5,037	20.0
Underwriting expenses:	17,829	21,890	4,061	22.8
Net claims paid	11,213	14,222	3,009	26.8
Loss adjustment expenses	1,717	2,116	399	23.3
Net commissions and brokerage fees	637	654	17	2.8
Maturity refunds to policyholders	371	243	(128)	(34.6)
Provision for reserve for outstanding losses and claims	1,206	1,683	477	39.6
Provision for underwriting reserves	2,679	2,964	284	10.6
Investment expenses	2	3	0	38.5
Operating, general and administrative expenses	7,277	8,272	994	13.7
Other ordinary expenses:	28	8	(19)	(68.2)
Interest paid	3	2	(0)	(14.4)
Ordinary loss	(3,529)	(3,911)	(382)	—
Extraordinary losses:	6	3	(3)	(54.1)
Impairment losses	0	0	(0)	(65.3)
Provision for reserves under the special laws:	5	2	(3)	(52.4)
Provision for reserve for price fluctuation	5	2	(3)	(52.4)
Net loss before income taxes	(3,536)	(3,914)	(378)	—
Income taxes and deferred income taxes	7	9	1	25.3
Net loss	(3,544)	(3,924)	(380)	—

Underwriting result:					
Net premiums written	(+)	21,309	26,146	4,837	22.7
Net claims paid	(−)	11,213	14,222	3,009	26.8
Loss adjustment expenses	(−)	1,717	2,116	399	23.3
Net operating expenses:	(−)	7,896	8,912	1,015	12.9
Net commissions and brokerage fees		637	654	17	2.8
Operating, general and administrative expenses related to underwriting		7,259	8,257	998	13.8
Underwriting result		482	894	412	85.6
Underwriting profit (loss)		(3,648)	(3,913)	(264)	—
Ratios:					
Net loss ratio	(%)	60.7	62.5	1.8	
Net operating expenses ratio	(%)	37.1	34.1	(3.0)	
Combined ratio	(%)	97.8	96.6	(1.2)	

SAISON AUTOMOBILE AND FIRE INSURANCE COMPANY, LIMITED (Non-consolidated)

Premiums Written and Claims Paid by Business Lines

Direct premiums written (excluding deposits of premiums by policyholders)

(Millions of yen)

Business line	Nine months ended December 31, 2015 (April 1 to December 31, 2015)			Nine months ended December 31, 2016 (April 1 to December 31, 2016)		
	Amount	% of total amount	Rate of change	Amount	% of total amount	Rate of change
		%	%		%	%
Fire and allied insurance	1,243	5.4	(16.2)	1,188	4.3	(4.5)
Marine insurance	—	—	—	—	—	—
Personal accident insurance	2,900	12.7	(4.7)	2,740	10.0	(5.5)
Voluntary automobile insurance	17,831	78.0	34.7	22,679	82.3	27.2
Compulsory automobile liability insurance	(0)	(0.0)	—	(0)	(0.0)	—
Others	876	3.8	9.7	933	3.4	6.6
Total	22,851	100.0	23.1	27,542	100.0	20.5
Deposits of premiums by policyholders	78	——	(47.6)	36	——	(52.8)

Net premiums written

(Millions of yen)

Business line	Nine months ended December 31, 2015 (April 1 to December 31, 2015)			Nine months ended December 31, 2016 (April 1 to December 31, 2016)		
	Amount	% of total amount	Rate of change	Amount	% of total amount	Rate of change
		%	%		%	%
Fire and allied insurance	514	2.4	(39.8)	467	1.8	(9.2)
Marine insurance	(0)	(0.0)	(105.8)	1	0.0	—
Personal accident insurance	1,940	9.1	0.4	1,905	7.3	(1.8)
Voluntary automobile insurance	17,663	82.9	34.8	22,515	86.1	27.5
Compulsory automobile liability insurance	315	1.5	1.9	324	1.2	2.9
Others	876	4.1	9.3	932	3.6	6.4
Total	21,309	100.0	25.3	26,146	100.0	22.7

Net claims paid

(Millions of yen)

Business line	Nine months ended December 31, 2015 (April 1 to December 31, 2015)			Nine months ended December 31, 2016 (April 1 to December 31, 2016)		
	Amount	Rate of change	Net loss ratio	Amount	Rate of change	Net loss ratio
		%	%		%	%
Fire and allied insurance	365	(40.4)	79.0	314	(14.2)	75.2
Marine insurance	3	(70.9)	—	0	(81.0)	48.0
Personal accident insurance	1,025	(12.6)	64.0	1,019	(0.5)	65.1
Voluntary automobile insurance	9,373	33.8	60.9	12,444	32.8	63.1
Compulsory automobile liability insurance	317	(4.0)	101.6	312	(1.5)	103.7
Others	127	37.1	24.0	130	2.3	22.2
Total	11,213	21.5	60.7	14,222	26.8	62.5

SAISON AUTOMOBILE AND FIRE INSURANCE COMPANY, LIMITED (Non-consolidated)

Non-consolidated Solvency Margin Ratio

(Millions of yen)

		As of March 31, 2016	As of December 31, 2016
(A) Total Non-consolidated Solvency Margin		14,702	10,958
	Capital and funds, etc.	10,503	6,578
	Reserve for price fluctuation	36	39
	Contingency reserve	11	11
	Catastrophic loss reserve	3,563	3,789
	General allowance for possible credit losses	—	—
	Unrealized gains and losses on securities, deferred gains and losses on hedges (before tax effect deductions)	582	537
	Unrealized gains and losses on land	—	—
	Excess amount of reserve for maturity refunds	—	—
	Subordinated debt, etc.	—	—
	Excess amount of reserve for maturity refunds and subordinated debt, etc. which are excluded from total solvency margin	—	—
	Deductions	—	—
	Others	4	2
(B) Total Non-consolidated Risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$		4,051	4,578
	Underwriting risk (R_1)	2,801	3,355
	Underwriting risk for third-sector insurance products including accident, sickness and nursing-care insurance (R_2)	—	—
	Guaranteed interest rate risk (R_3)	25	23
	Investment risk (R_4)	1,081	638
	Business management risk (R_5)	144	150
	Major catastrophe risk (R_6)	895	1,006
(C) Non-consolidated Solvency Margin Ratio [(A) / {(B) × 1/2}] × 100		725.8 %	478.7 %

Note) The above amounts and figures are calculated based on provisions of Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act and Public Notice No. 50 of the Ministry of Finance (1996). The amounts and figures as of December 31, 2016 are partly calculated by using the simplified method. For example, some bases for the major catastrophe risk calculation are deemed the same as the amounts and figures as of September 30, 2016.

Sonpo 24 Insurance Company Limited (Non-consolidated)

Quarterly Balance Sheet

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016	Increase (Decrease)
	Amount	Amount	
Assets:			
Cash and deposits	5,385	11,094	5,708
Securities	16,204	10,648	(5,556)
Tangible fixed assets	248	189	(58)
Other assets	909	755	(154)
Total assets	22,748	22,687	(60)
Liabilities:			
Underwriting funds:	14,233	14,006	(226)
Reserve for outstanding losses and claims	5,877	5,777	(99)
Underwriting reserves	8,356	8,228	(127)
Other liabilities	2,227	1,584	(643)
Reserve for retirement benefits	244	261	17
Reserve for bonus payments	101	25	(76)
Reserves under the special laws:	40	41	1
Reserve for price fluctuation	40	41	1
Deferred tax liabilities	11	6	(5)
Total liabilities	16,858	15,925	(933)
Net assets:			
Shareholders' equity:			
Common stock	19,000	19,000	—
Capital surplus	19,000	19,000	—
Retained earnings	(32,139)	(31,253)	885
Total shareholders' equity	5,860	6,746	885
Valuation and translation adjustments:			
Unrealized gains and losses on securities available for sale	29	16	(13)
Total valuation and translation adjustments	29	16	(13)
Total net assets	5,890	6,762	872
Total liabilities and net assets	22,748	22,687	(60)

Sonpo 24 Insurance Company Limited (Non-consolidated)

Quarterly Statement of Income

(Millions of yen)

	Nine months ended December 31, 2015 (April 1 to December 31, 2015)	Nine months ended December 31, 2016 (April 1 to December 31, 2016)	Increase (Decrease)	Rate of change
	Amount	Amount		
				%
Ordinary income:	10,474	10,278	(196)	(1.9)
Underwriting income:	10,469	10,259	(210)	(2.0)
Net premiums written	10,265	10,022	(242)	(2.4)
Interest and dividend income on deposits of premiums, etc.	8	9	1	12.5
Reversal of reserve for outstanding losses and claims	—	99	99	—
Reversal of underwriting reserves	195	127	(68)	(34.9)
Investment income:	4	(1)	(6)	(136.9)
Interest and dividend income	13	7	(5)	(42.1)
Transfer of interest and dividend income on deposits of premiums, etc.	(8)	(9)	(1)	—
Other ordinary income	0	21	20	2,466.0
Ordinary expenses:	10,118	9,271	(847)	(8.4)
Underwriting expenses:	7,319	6,780	(538)	(7.4)
Net claims paid	5,478	5,375	(103)	(1.9)
Loss adjustment expenses	799	782	(17)	(2.1)
Net commissions and brokerage fees	660	622	(38)	(5.8)
Provision for reserve for outstanding losses and claims	379	—	(379)	(100.0)
Operating, general and administrative expenses	2,799	2,490	(308)	(11.0)
Other ordinary expenses	0	0	(0)	(66.1)
Ordinary profit	356	1,007	651	182.8
Extraordinary losses:	2	1	(0)	(24.9)
Losses on disposal of fixed assets	—	0	0	—
Provision for reserves under the special laws:	2	1	(0)	(38.2)
Provision for reserve for price fluctuation	2	1	(0)	(38.2)
Net income before income taxes	353	1,005	651	184.3
Income taxes and deferred income taxes	37	119	82	222.1
Net income	316	885	569	179.9

Underwriting result:					
Net premiums written	(+)	10,265	10,022	(242)	(2.4)
Net claims paid	(−)	5,478	5,375	(103)	(1.9)
Loss adjustment expenses	(−)	799	782	(17)	(2.1)
Net operating expenses:	(−)	3,457	3,111	(346)	(10.0)
Net commissions and brokerage fees		660	622	(38)	(5.8)
Operating, general and administrative expenses related to underwriting		2,796	2,488	(308)	(11.0)
Underwriting result		528	754	225	42.6
Underwriting profit		353	990	637	180.6
Ratios:					
Net loss ratio	(%)	61.2	61.4	0.3	
Net operating expenses ratio	(%)	33.7	31.0	(2.6)	
Combined ratio	(%)	94.8	92.5	(2.4)	

Sonpo 24 Insurance Company Limited (Non-consolidated)

Premiums Written and Claims Paid by Business Lines

Direct premiums written (excluding deposits of premiums by policyholders)

(Millions of yen)

Business line	Nine months ended December 31, 2015 (April 1 to December 31, 2015)			Nine months ended December 31, 2016 (April 1 to December 31, 2016)		
	Amount	% of total amount	Rate of change	Amount	% of total amount	Rate of change
		%	%		%	%
Fire and allied insurance	—	—	—	—	—	—
Marine insurance	—	—	—	—	—	—
Personal accident insurance	—	—	—	—	—	—
Voluntary automobile insurance	10,166	100.0	(3.1)	9,899	100.0	(2.6)
Compulsory automobile liability insurance	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total	10,166	100.0	(3.1)	9,899	100.0	(2.6)
Deposits of premiums by policyholders	—	——	—	—	——	—

Net premiums written

(Millions of yen)

Business line	Nine months ended December 31, 2015 (April 1 to December 31, 2015)			Nine months ended December 31, 2016 (April 1 to December 31, 2016)		
	Amount	% of total amount	Rate of change	Amount	% of total amount	Rate of change
		%	%		%	%
Fire and allied insurance	—	—	—	—	—	—
Marine insurance	—	—	—	—	—	—
Personal accident insurance	—	—	—	—	—	—
Voluntary automobile insurance	10,080	98.2	(3.1)	9,849	98.3	(2.3)
Compulsory automobile liability insurance	184	1.8	(3.1)	173	1.7	(6.1)
Others	—	—	—	—	—	—
Total	10,265	100.0	(3.1)	10,022	100.0	(2.4)

Net claims paid

(Millions of yen)

Business line	Nine months ended December 31, 2015 (April 1 to December 31, 2015)			Nine months ended December 31, 2016 (April 1 to December 31, 2016)		
	Amount	Rate of change	Net loss ratio	Amount	Rate of change	Net loss ratio
		%	%		%	%
Fire and allied insurance	—	—	—	—	—	—
Marine insurance	—	—	—	—	—	—
Personal accident insurance	—	—	—	—	—	—
Voluntary automobile insurance	5,283	(7.1)	60.3	5,185	(1.9)	60.6
Compulsory automobile liability insurance	195	0.6	105.9	189	(3.0)	109.5
Others	—	—	—	—	—	—
Total	5,478	(6.8)	61.2	5,375	(1.9)	61.4

Sonpo 24 Insurance Company Limited (Non-consolidated)

Non-consolidated Solvency Margin Ratio

(Millions of yen)

		As of March 31, 2016	As of December 31, 2016
(A) Total Non-consolidated Solvency Margin		6,518	7,462
	Capital and funds, etc.	5,860	6,746
	Reserve for price fluctuation	40	41
	Contingency reserve	—	—
	Catastrophic loss reserve	581	653
	General allowance for possible credit losses	—	—
	Unrealized gains and losses on securities, deferred gains and losses on hedges (before tax effect deductions)	36	20
	Unrealized gains and losses on land	—	—
	Excess amount of reserve for maturity refunds	—	—
	Subordinated debt, etc.	—	—
	Excess amount of reserve for maturity refunds and subordinated debt, etc. which are excluded from total solvency margin	—	—
	Deductions	—	—
	Others	—	—
(B) Total Non-consolidated Risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$		2,035	2,013
	Underwriting risk (R_1)	1,789	1,781
	Underwriting risk for third-sector insurance products including accident, sickness and nursing-care insurance (R_2)	—	—
	Guaranteed interest rate risk (R_3)	—	—
	Investment risk (R_4)	380	326
	Business management risk (R_5)	69	67
	Major catastrophe risk (R_6)	136	135
(C) Non-consolidated Solvency Margin Ratio [(A) / {(B) × 1/2}] × 100		640.6 %	741.1 %

Note) The above amounts and figures are calculated based on provisions of Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act and Public Notice No. 50 of the Ministry of Finance (1996). The amounts and figures as of December 31, 2016 are partly calculated by using the simplified method. For example, some bases for the investment risk calculation are deemed the same as the amounts and figures as of September 30, 2016.

Sompo Japan Nipponkoa Himawari Life Insurance, Inc. (Non-consolidated)

Quarterly Balance Sheet

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016	Increase (Decrease)
	Amount	Amount	
Assets:			
Cash and deposits	44,938	43,577	(1,360)
Securities:	2,305,223	2,414,739	109,516
Government bonds	1,688,558	1,707,044	18,486
Municipal bonds	56,354	58,730	2,375
Corporate bonds	313,126	329,036	15,910
Domestic stocks	6,996	8,149	1,153
Foreign securities	240,186	311,777	71,590
Loans:	37,406	37,860	453
Policy loans	37,406	37,860	453
Tangible fixed assets	1,490	1,430	(59)
Agency accounts receivable	120	106	(14)
Reinsurance accounts receivable	1,222	1,569	347
Other assets	47,691	44,690	(3,000)
Deferred tax assets	—	4,407	4,407
Allowance for possible credit losses	(37)	(49)	(12)
Total assets	2,438,055	2,548,332	110,277
Liabilities:			
Policy reserves:	2,257,402	2,368,685	111,282
Reserve for outstanding claims	37,254	39,193	1,938
Policy reserves	2,214,871	2,323,976	109,104
Reserve for dividends to policyholders	5,275	5,515	239
Agency accounts payable	4,607	3,478	(1,128)
Reinsurance accounts payable	974	832	(142)
Other liabilities	12,498	19,034	6,536
Reserve for bonus payments to directors	42	—	(42)
Reserve for retirement benefits	2,803	3,167	364
Reserves under the special laws:	4,240	5,076	835
Reserve for price fluctuation	4,240	5,076	835
Deferred tax liabilities	1,796	—	(1,796)
Total liabilities	2,284,365	2,400,275	115,909
Net assets:			
Shareholders' equity:			
Common stock	17,250	17,250	—
Capital surplus	19,500	19,500	—
Retained earnings	50,187	58,334	8,146
Total shareholders' equity	86,937	95,084	8,146
Valuation and translation adjustments:			
Unrealized gains and losses on securities available for sale	66,751	52,973	(13,778)
Total valuation and translation adjustments	66,751	52,973	(13,778)
Total net assets	153,689	148,057	(5,631)
Total liabilities and net assets	2,438,055	2,548,332	110,277

Sompo Japan Nipponkoa Himawari Life Insurance, Inc. (Non-consolidated)

Quarterly Statement of Income

(Millions of yen)

	Nine months ended December 31, 2015 (April 1 to December 31, 2015)	Nine months ended December 31, 2016 (April 1 to December 31, 2016)	Increase (Decrease)	Rate of change
	Amount	Amount		
				%
Ordinary income:	323,218	341,899	18,681	5.8
Insurance premiums and other:	289,759	304,605	14,845	5.1
Insurance premiums	287,196	301,562	14,365	5.0
Investment income:	32,337	36,458	4,120	12.7
Interest and dividend income and other	30,051	30,871	819	2.7
Gains on sales of securities	1,924	3,735	1,811	94.1
Investment gains on special account	348	1,851	1,503	431.2
Other ordinary income	1,120	835	(285)	(25.4)
Ordinary expenses:	304,542	326,147	21,604	7.1
Insurance claims and other:	134,445	135,919	1,473	1.1
Insurance claims	23,340	22,411	(928)	(4.0)
Annuity payments	8,509	9,544	1,034	12.2
Insurance benefits	28,759	29,246	487	1.7
Surrender benefits	69,007	69,937	930	1.3
Other refunds	1,748	1,881	132	7.6
Provision for policy reserves and other:	98,250	111,043	12,793	13.0
Provision for reserve for outstanding claims	1,932	1,938	6	0.3
Provision for policy reserves	96,317	109,104	12,786	13.3
Provision for interest portion of reserve for dividends to policyholders	0	0	0	48.3
Investment expenses:	932	2,543	1,610	172.8
Interest paid	59	70	11	19.6
Losses on sales of securities	478	1,610	1,132	236.7
Losses on derivatives	351	780	428	122.0
Operating expenses	68,251	73,863	5,612	8.2
Other ordinary expenses	2,663	2,777	113	4.3
Ordinary profit	18,675	15,752	(2,923)	(15.7)
Extraordinary gains:	—	0	0	—
Gains on disposal of fixed assets and other	—	0	0	—
Extraordinary losses:	646	836	190	29.4
Losses on disposal of fixed assets and other	10	1	(8)	(87.0)
Provision for reserves under the special laws:	636	835	198	31.2
Provision for reserve for price fluctuation	636	835	198	31.2
Provision for reserve for dividends to policyholders	3,470	3,262	(208)	(6.0)
Net income before income taxes	14,557	11,652	(2,904)	(20.0)
Income taxes and deferred income taxes	4,382	3,506	(876)	(20.0)
Net income	10,175	8,146	(2,028)	(19.9)

Sompo Japan Nipponkoa Himawari Life Insurance, Inc. (Non-consolidated)

Major Business Results

Total amount of policies in force

(Number in thousands, Yen in hundred millions, %)

	As of March 31, 2016				As of December 31, 2016			
	Number		Amount		Number		Amount	
		% of previous fiscal year		% of previous fiscal year		% of previous fiscal year		% of previous fiscal year
Individual insurance	3,658	107.1	213,748	102.9	3,787	103.5	217,304	101.7
Individual annuities	68	99.2	2,673	97.4	67	99.0	2,615	97.8
Group insurance	——	——	28,289	90.8	——	——	27,972	98.9
Group annuities	——	——	—	—	——	——	—	—

Note) Amounts of "Individual annuities" represent the sums of annuity fund at the beginning of annuity payment of contracts before the beginning of annuity payment and policy reserves for the contracts after the beginning of annuity payment.

Total amount of new policies

(Number in thousands, Yen in hundred millions, %)

	Nine months ended December 31, 2015 (April 1 to December 31, 2015)				Nine months ended December 31, 2016 (April 1 to December 31, 2016)			
	Number		Amount		Number		Amount	
		% of previous fiscal year		% of previous fiscal year		% of previous fiscal year		% of previous fiscal year
Individual insurance	352	109.8	16,598	94.2	289	82.0	16,613	100.1
Individual annuities	0	109.1	35	107.4	0	87.6	35	99.8
Group insurance	——	——	240	162.2	——	——	160	66.7
Group annuities	——	——	—	—	——	——	—	—

Note) Amounts of "Individual annuities" represent amounts of annuity fund at the beginning of annuity payment.

Annualized premiums

Policies in force

(Millions of yen, %)

	As of March 31, 2016		As of December 31, 2016	
		% of previous fiscal year		% of previous fiscal year
Individual insurance	313,803	105.0	327,580	104.4
Individual annuities	19,055	102.6	19,348	101.5
Total	332,859	104.8	346,928	104.2
Medical and survival benefits	129,561	108.8	134,234	103.6

New policies

(Millions of yen, %)

	Nine months ended December 31, 2015 (April 1 to December 31, 2015)		Nine months ended December 31, 2016 (April 1 to December 31, 2016)	
		% of previous fiscal year		% of previous fiscal year
Individual insurance	29,823	116.3	32,832	110.1
Individual annuities	133	105.1	126	94.7
Total	29,956	116.2	32,958	110.0
Medical and survival benefits	15,720	126.4	11,720	74.6

Notes)

1. Annualized premiums are calculated by using multipliers for various premium payment terms to the premium per payment. In single premium contracts, the amount is calculated by dividing the premium by the duration of the policy.
2. Annualized premiums for medical and survival benefits include (a) premium related to medical benefits such as hospitalization and surgery benefits, (b) premium related to survival benefits such as specific illness and nursing benefits, and (c) premium related to premium waiver benefits, in which disability cause is excluded but causes such as specific illness and nursing care are included.

Sompo Japan Nipponkoa Himawari Life Insurance, Inc. (Non-consolidated)

Non-consolidated Solvency Margin Ratio

(Millions of yen)

		As of March 31, 2016	As of December 31, 2016
(A) Total Non-consolidated Solvency Margin		342,590	348,204
	Capital, etc.	86,937	95,139
	Reserve for price fluctuation	4,240	5,076
	Contingency reserve	28,221	28,993
	General allowance for possible credit losses	1	5
	Unrealized gains and losses on securities (before tax effect deductions) (90% of gain or 100% of loss), deferred gains and losses on hedges (before tax effect deductions) (90% of gain or 100% of loss)	83,439	66,216
	Unrealized gains and losses on land (85% of gain or 100% of loss)	—	—
	Excess amount of continued Zillmerized reserve	137,836	143,842
	Subordinated debt, etc.	—	—
	Excess amount of continued Zillmerized reserve and subordinated debt, etc. which are excluded from total solvency margin	(18,020)	(14,193)
	Brought in capital, etc.	—	—
	Deductions	—	—
	Others	19,933	23,123
(B) Total Non-consolidated Risks $\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$		38,678	41,417
	Underwriting risk (R_1)	13,347	13,499
	Underwriting risk for third-sector insurance products including accident, sickness and nursing-care insurance (R_8)	7,794	8,475
	Guaranteed interest rate risk (R_2)	8,335	8,387
	Guaranteed minimum benefit risk (R_7)	366	372
	Investment risk (R_3)	22,430	25,023
	Business management risk (R_4)	1,045	1,115
(C) Non-consolidated Solvency Margin Ratio [(A) / {(B) × 1/2}] × 100		1,771.4 %	1,681.4 %

Notes)

1. The above amounts and figures are calculated based on provisions of Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act and Public Notice No. 50 of the Ministry of Finance (1996).
2. Guaranteed minimum benefit risk is calculated by using the standard method.

Supplementary Explanation

< Calculation of ratios, etc. >

- Underwriting profit = Underwriting income - Underwriting expenses - Operating, general and administrative expenses related to underwriting + Other income and expenses*

  *Other income and expenses include, but not limited to, income tax expenses for compulsory automobile liability insurance.
- Net loss ratio = (Net claims paid + Loss adjustment expenses) / Net premiums written × 100
- Net operating expenses ratio = (Net commissions and brokerage fees + Operating, general and administrative expenses related to underwriting) / Net premiums written × 100
- Combined ratio = Net loss ratio + Net operating expenses ratio

< Non-consolidated solvency margin ratio >

• In addition to reserves to cover payments for claims, benefits and maturity refunds, etc., it is necessary for insurance companies to maintain sufficient solvency in order to cover against risks which exceed their normal estimates, i.e. occurrence of major catastrophes, fluctuation in mortality rate due to significant changes in key environmental factors and big decline in value of assets held by insurance companies.

•(C) Non-consolidated Solvency Margin Ratio, which is calculated in accordance with the Insurance Business Act, etc. is the ratio of "solvency margin of insurance companies by means of their capital, reserves, etc." ((A) Total Non-consolidated Solvency Margin) to "risks which exceed their normal estimates" ((B) Total Non-consolidated Risks).

• "Risks which exceed their normal estimates" are composed of risks described below.

<1> Underwriting risk, Underwriting risk for third-sector insurance products including accident, sickness and nursing-care insurance:
Risks of rate of occurrence of insurance claims, etc. in excess of normal estimates (excluding risks relating to major catastrophes)

<2> Guaranteed interest rate risk:
Risks of invested assets failing to yield assumed interest rates due to the aggravation of investment conditions

<3> Investment risk:
Risks of securities and other assets held fluctuating in prices in excess of normal estimates

<4> Business management risk:
Risks beyond normal estimates arising from business management that do not fall under other categories

<5> Major catastrophe risk:
Risks of the occurrence of major catastrophic losses in excess of normal estimates (risks such as the Great Kanto Earthquake or Isewan Typhoon)

<6> Guaranteed minimum benefit risk:
Risks of special account assets fluctuating in prices in excess of normal estimates

• "Solvency margin of insurance companies by means of their capital, reserves, etc." (total non-consolidated solvency margin) is the sum of total net assets (excluding planned outflows), certain reserves (reserve for price fluctuation, contingency reserve and catastrophic loss reserve, etc.) and parts of unrealized gains and losses on land, etc.

• Solvency margin ratio is one of the indicators for the regulatory authorities to monitor financial soundness of insurance companies. Solvency margin ratio exceeding 200% would indicate adequate capability to meet payments of possible insurance claims and others.