SOMPO HOLDINGS

UNOFFICIAL TRANSLATION

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Summary of Consolidated Financial Results for the nine months ended December 31, 2017

Supplementary Information

February 14, 2018

Sompo Holdings, Inc.

（ Securities Code : 8630 ）

Summary of Consolidated Financial Results for the nine months ended December 31, 2017

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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, 2017	As of December 31, 2017	Increase (Decrease)
	Amount	Amount	
Assets:			
Cash and deposits	369,971	360,905	(9,065)
Receivables under resale agreements	54,999	74,999	19,999
Monetary receivables bought	7,624	6,581	(1,043)
Money trusts	104,292	101,151	(3,140)
Securities	5,519,966	5,816,791	296,825
Loans	626,474	649,199	22,724
Tangible fixed assets	289,844	288,383	(1,460)
Intangible fixed assets	37,608	72,443	34,835
Other assets	568,415	555,258	(13,156)
Prepaid pension cost	884	722	(161)
Allowance for possible credit losses	(3,493)	(3,507)	(14)
Allowance for possible investment losses	(7,808)	(7,659)	148
Total assets	7,568,779	7,915,269	346,489
Liabilities:			
Underwriting funds:	4,861,584	4,784,443	(77,141)
Reserve for outstanding losses and claims	912,762	898,377	(14,384)
Underwriting reserves	3,948,822	3,886,066	(62,756)
Corporate bonds	333,560	433,560	100,000
Other liabilities	680,506	542,265	(138,241)
Reserve for retirement benefits	88,172	95,952	7,779
Reserve for bonus payments	18,375	4,695	(13,680)
Reserve for bonus payments to directors	135	—	(135)
Reserves under the special laws:	68,706	76,859	8,152
Reserve for price fluctuation	68,706	76,859	8,152
Deferred tax liabilities	62,461	143,932	81,471
Total liabilities	6,113,502	6,081,708	(31,794)
Net assets:			
Shareholders' equity:			
Common stock	70,000	70,000	—
Capital surplus	70,000	70,000	—
Retained earnings	395,486	565,526	170,040
Total shareholders' equity	535,486	705,526	170,040
Valuation and translation adjustments:			
Unrealized gains and losses on securities available for sale	911,787	1,123,372	211,584
Deferred gains and losses on hedges	8,003	4,661	(3,341)
Total valuation and translation adjustments	919,790	1,128,033	208,243
Total net assets	1,455,276	1,833,560	378,284
Total liabilities and net assets	7,568,779	7,915,269	346,489

Sompo Japan Nipponkoa Insurance Inc. (Non-consolidated)

Quarterly Statement of Income

(Millions of yen)

	Nine months ended December 31, 2016 (April 1 to December 31, 2016)	Nine months ended December 31, 2017 (April 1 to December 31, 2017)	Increase (Decrease)	Rate of change
	Amount	Amount		
				%
Ordinary income:	1,904,407	1,955,338	50,930	2.7
Underwriting income:	1,797,730	1,838,169	40,439	2.2
Net premiums written	1,618,829	1,636,190	17,361	1.1
Deposits of premiums by policyholders	102,184	91,846	(10,337)	(10.1)
Interest and dividend income on deposits of premiums, etc.	33,500	29,781	(3,719)	(11.1)
Reversal of reserve for outstanding losses and claims	—	14,384	14,384	—
Reversal of underwriting reserves	42,210	62,756	20,545	48.7
Investment income:	100,973	111,540	10,566	10.5
Interest and dividend income	82,230	77,853	(4,376)	(5.3)
Investment gains on money trusts	1,640	4,990	3,350	204.2
Gains on sales of securities	43,504	54,658	11,154	25.6
Transfer of interest and dividend income on deposits of premiums, etc.	(33,500)	(29,781)	3,719	—
Other ordinary income	5,703	5,628	(75)	(1.3)
Ordinary expenses:	1,753,556	1,805,107	51,551	2.9
Underwriting expenses:	1,483,714	1,513,910	30,195	2.0
Net claims paid	927,373	953,872	26,498	2.9
Loss adjustment expenses	95,118	93,730	(1,387)	(1.5)
Net commissions and brokerage fees	289,098	295,379	6,280	2.2
Maturity refunds to policyholders	165,977	168,837	2,859	1.7
Provision for reserve for outstanding losses and claims	1,710	—	(1,710)	(100.0)
Investment expenses:	21,682	40,176	18,493	85.3
Investment losses on money trusts	145	131	(13)	(9.2)
Losses on sales of securities	2,911	386	(2,524)	(86.7)
Impairment losses on securities	723	25,345	24,621	3,402.7
Operating, general and administrative expenses	239,860	243,277	3,416	1.4
Other ordinary expenses:	8,299	7,743	(555)	(6.7)
Interest paid	5,032	5,282	249	5.0
Ordinary profit	150,850	150,230	(620)	(0.4)
Extraordinary gains:	675	23,927	23,251	3,444.2
Gains on disposal of fixed assets	675	855	180	26.8
Other extraordinary gains	—	23,071	23,071	—
Extraordinary losses:	11,885	11,673	(211)	(1.8)
Losses on disposal of fixed assets	5,618	781	(4,836)	(86.1)
Impairment losses	197	2,738	2,541	1,285.5
Provision for reserves under the special laws:	6,069	8,152	2,083	34.3
Provision for reserve for price fluctuation	6,069	8,152	2,083	34.3
Net income before income taxes	139,640	162,483	22,843	16.4
Income taxes and deferred income taxes	37,004	(12,557)	(49,561)	(133.9)
Net income	102,635	175,040	72,405	70.5

Underwriting result:					
Net premiums written	(+)	1,618,829	1,636,190	17,361	1.1
Net claims paid	(−)	927,373	953,872	26,498	2.9
Loss adjustment expenses	(−)	95,118	93,730	(1,387)	(1.5)
Net operating expenses:	(−)	517,047	524,978	7,931	1.5
Net commissions and brokerage fees		289,098	295,379	6,280	2.2
Operating, general and administrative expenses related to underwriting		227,948	229,598	1,650	0.7
Underwriting result		79,290	63,609	(15,680)	(19.8)
Underwriting profit		85,880	94,606	8,726	10.2
Ratios:					
Net loss ratio	(%)	63.2	64.0	0.9	
Net operating expenses ratio	(%)	31.9	32.1	0.1	
Combined ratio	(%)	95.1	96.1	1.0	

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, 2016 (April 1 to December 31, 2016)			Nine months ended December 31, 2017 (April 1 to December 31, 2017)		
	Amount	% of total amount	Rate of change	Amount	% of total amount	Rate of change
		%	%		%	%
Fire and allied insurance	257,432	14.8	(12.8)	275,484	15.7	7.0
Marine insurance	33,652	1.9	(13.5)	35,493	2.0	5.5
Personal accident insurance	141,638	8.2	(0.8)	141,435	8.0	(0.1)
Voluntary automobile insurance	806,599	46.5	0.9	808,575	46.0	0.2
Compulsory automobile liability insurance	233,457	13.5	(1.9)	223,585	12.7	(4.2)
Others	262,098	15.1	4.0	274,307	15.6	4.7
Total	1,734,878	100.0	(1.8)	1,758,880	100.0	1.4
Deposits of premiums by policyholders	102,184	——	8.4	91,846	——	(10.1)

Net premiums written

(Millions of yen)

Business line	Nine months ended December 31, 2016 (April 1 to December 31, 2016)			Nine months ended December 31, 2017 (April 1 to December 31, 2017)		
	Amount	% of total amount	Rate of change	Amount	% of total amount	Rate of change
		%	%		%	%
Fire and allied insurance	204,501	12.6	(20.7)	208,606	12.7	2.0
Marine insurance	32,703	2.0	(16.7)	35,918	2.2	9.8
Personal accident insurance	139,541	8.6	(1.7)	139,044	8.5	(0.4)
Voluntary automobile insurance	805,765	49.8	0.8	806,642	49.3	0.1
Compulsory automobile liability insurance	219,288	13.5	(6.1)	223,317	13.6	1.8
Others	217,027	13.4	1.4	222,659	13.6	2.6
Total	1,618,829	100.0	(4.0)	1,636,190	100.0	1.1

Net claims paid

(Millions of yen)

Business line	Nine months ended December 31, 2016 (April 1 to December 31, 2016)			Nine months ended December 31, 2017 (April 1 to December 31, 2017)		
	Amount	Rate of change	Net loss ratio	Amount	Rate of change	Net loss ratio
		%	%		%	%
Fire and allied insurance	147,650	(14.8)	74.0	159,258	7.9	78.0
Marine insurance	19,653	(12.8)	63.4	18,006	(8.4)	52.9
Personal accident insurance	70,869	(6.3)	55.1	71,082	0.3	55.2
Voluntary automobile insurance	415,708	(1.1)	59.2	433,346	4.2	61.4
Compulsory automobile liability insurance	171,171	(0.6)	84.9	163,868	(4.3)	79.7
Others	102,319	(1.5)	50.6	108,310	5.9	52.0
Total	927,373	(4.2)	63.2	953,872	2.9	64.0

Sompo Japan Nipponkoa Insurance Inc. (Non-consolidated)

Non-consolidated Solvency Margin Ratio

(Millions of yen)

		As of March 31, 2017	As of December 31, 2017
(A) Total Non-consolidated Solvency Margin		2,766,796	3,398,554
	Capital and funds, etc.	535,486	705,526
	Reserve for price fluctuation	68,706	76,859
	Contingency reserve	611	611
	Catastrophic loss reserve	572,867	563,750
	General allowance for possible credit losses	226	159
	Unrealized gains and losses on securities, deferred gains and losses on hedges (before tax effect deductions)	1,110,731	1,369,777
	Unrealized gains and losses on land	52,912	69,287
	Excess amount of reserve for maturity refunds	—	—
	Subordinated debt, etc.	333,560	433,560
	Excess amount of reserve for maturity refunds and subordinated debt, etc. which are excluded from total solvency margin	—	—
	Deductions	71,649	49,790
	Others	163,342	228,812
(B) Total Non-consolidated Risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$		817,299	895,477
	Underwriting risk (R_1)	185,764	187,039
	Underwriting risk for third-sector insurance products including accident, sickness and nursing-care insurance (R_2)	—	—
	Guaranteed interest rate risk (R_3)	20,722	20,294
	Investment risk (R_4)	633,600	706,014
	Business management risk (R_5)	19,160	20,761
	Major catastrophe risk (R_6)	117,957	124,711
(C) Non-consolidated Solvency Margin Ratio [(A) / {(B) × 1/2}] × 100		677.0 %	759.0 %

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, 2017 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, 2017.

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

Quarterly Balance Sheet

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017	Increase (Decrease)
	Amount	Amount	
Assets:			
Cash and deposits	26,846	22,834	(4,012)
Securities	16,878	18,399	1,521
Loans	0	0	0
Tangible fixed assets	224	281	57
Intangible fixed assets	2,995	2,905	(89)
Other assets	4,710	6,755	2,044
Allowance for possible credit losses	(0)	(0)	0
Total assets	51,655	51,176	(478)
Liabilities:			
Underwriting funds:	38,998	43,073	4,074
Reserve for outstanding losses and claims	12,444	13,088	643
Underwriting reserves	26,553	29,984	3,430
Other liabilities	2,891	1,767	(1,123)
Reserve for retirement benefits to directors	20	24	3
Reserve for bonus payments	264	143	(120)
Reserve for bonus payments to directors	27	16	(10)
Reserves under the special laws:	40	43	3
Reserve for price fluctuation	40	43	3
Deferred tax liabilities	130	121	(9)
Total liabilities	42,373	45,191	2,817
Net assets:			
Shareholders' equity:			
Common stock	28,760	28,760	—
Capital surplus	26,997	26,997	—
Retained earnings	(46,903)	(50,175)	(3,272)
Total shareholders' equity	8,854	5,582	(3,272)
Valuation and translation adjustments:			
Unrealized gains and losses on securities available for sale	427	403	(23)
Total valuation and translation adjustments	427	403	(23)
Total net assets	9,281	5,985	(3,296)
Total liabilities and net assets	51,655	51,176	(478)

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

Quarterly Statement of Income

(Millions of yen)

	Nine months ended December 31, 2016 (April 1 to December 31, 2016)	Nine months ended December 31, 2017 (April 1 to December 31, 2017)	Increase (Decrease)	Rate of change
	Amount	Amount		
				%
Ordinary income:	26,263	30,527	4,263	16.2
Underwriting income:	26,213	30,444	4,230	16.1
Net premiums written	26,146	30,404	4,257	16.3
Deposits of premiums by policyholders	36	13	(23)	(63.3)
Interest and dividend income on deposits of premiums, etc.	30	26	(3)	(12.0)
Investment income:	46	80	34	74.6
Interest and dividend income	73	64	(8)	(11.5)
Gains on sales of securities	3	37	33	874.9
Transfer of interest and dividend income on deposits of premiums, etc.	(30)	(26)	3	―
Other ordinary income	3	2	(1)	(40.5)
Ordinary expenses:	30,175	33,786	3,611	12.0
Underwriting expenses:	21,890	24,289	2,398	11.0
Net claims paid	14,222	17,125	2,903	20.4
Loss adjustment expenses	2,116	2,356	239	11.3
Net commissions and brokerage fees	654	650	(4)	(0.6)
Maturity refunds to policyholders	243	74	(169)	(69.5)
Provision for reserve for outstanding losses and claims	1,683	643	(1,039)	(61.8)
Provision for underwriting reserves	2,964	3,430	466	15.7
Investment expenses	3	2	(0)	(26.1)
Operating, general and administrative expenses	8,272	9,480	1,208	14.6
Other ordinary expenses:	8	14	5	59.2
Interest paid	2	3	0	35.4
Ordinary loss	(3,911)	(3,259)	652	―
Extraordinary losses:	3	3	0	16.6
Losses on disposal of fixed assets	―	0	0	―
Impairment losses	0	―	(0)	(100.0)
Provision for reserves under the special laws:	2	3	0	7.9
Provision for reserve for price fluctuation	2	3	0	7.9
Net loss before income taxes	(3,914)	(3,262)	652	―
Income taxes and deferred income taxes	9	9	―	―
Net loss	(3,924)	(3,272)	652	―

Underwriting result:					
Net premiums written	(+)	26,146	30,404	4,257	16.3
Net claims paid	(−)	14,222	17,125	2,903	20.4
Loss adjustment expenses	(−)	2,116	2,356	239	11.3
Net operating expenses:	(−)	8,912	10,114	1,201	13.5
Net commissions and brokerage fees		654	650	(4)	(0.6)
Operating, general and administrative expenses related to underwriting		8,257	9,463	1,205	14.6
Underwriting result		894	808	(86)	(9.6)
Underwriting profit (loss)		(3,913)	(3,286)	626	―
Ratios:					
Net loss ratio	(%)	62.5	64.1	1.6	
Net operating expenses ratio	(%)	34.1	33.3	(0.8)	
Combined ratio	(%)	96.6	97.4	0.8	

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, 2016 (April 1 to December 31, 2016)			Nine months ended December 31, 2017 (April 1 to December 31, 2017)		
	Amount	% of total amount	Rate of change	Amount	% of total amount	Rate of change
		%	%		%	%
Fire and allied insurance	1,188	4.3	(4.5)	1,070	3.4	(9.9)
Marine insurance	—	—	—	—	—	—
Personal accident insurance	2,740	10.0	(5.5)	2,509	7.9	(8.4)
Voluntary automobile insurance	22,679	82.3	27.2	27,170	85.7	19.8
Compulsory automobile liability insurance	(0)	(0.0)	—	—	—	—
Others	933	3.4	6.6	944	3.0	1.1
Total	27,542	100.0	20.5	31,694	100.0	15.1
Deposits of premiums by policyholders	36	——	(52.8)	13	——	(63.3)

Net premiums written

(Millions of yen)

Business line	Nine months ended December 31, 2016 (April 1 to December 31, 2016)			Nine months ended December 31, 2017 (April 1 to December 31, 2017)		
	Amount	% of total amount	Rate of change	Amount	% of total amount	Rate of change
		%	%		%	%
Fire and allied insurance	467	1.8	(9.2)	381	1.3	(18.4)
Marine insurance	1	0.0	—	0	0.0	(84.1)
Personal accident insurance	1,905	7.3	(1.8)	1,789	5.9	(6.1)
Voluntary automobile insurance	22,515	86.1	27.5	26,954	88.7	19.7
Compulsory automobile liability insurance	324	1.2	2.9	335	1.1	3.4
Others	932	3.6	6.4	943	3.1	1.1
Total	26,146	100.0	22.7	30,404	100.0	16.3

Net claims paid

(Millions of yen)

Business line	Nine months ended December 31, 2016 (April 1 to December 31, 2016)			Nine months ended December 31, 2017 (April 1 to December 31, 2017)		
	Amount	Rate of change	Net loss ratio	Amount	Rate of change	Net loss ratio
		%	%		%	%
Fire and allied insurance	314	(14.2)	75.2	249	(20.5)	76.5
Marine insurance	0	(81.0)	48.0	0	2.9	311.4
Personal accident insurance	1,019	(0.5)	65.1	1,184	16.1	76.1
Voluntary automobile insurance	12,444	32.8	63.1	15,151	21.8	63.9
Compulsory automobile liability insurance	312	(1.5)	103.7	305	(2.2)	91.2
Others	130	2.3	22.2	233	78.4	32.4
Total	14,222	26.8	62.5	17,125	20.4	64.1

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

Non-consolidated Solvency Margin Ratio

(Millions of yen)

		As of March 31, 2017	As of December 31, 2017
(A) Total Non-consolidated Solvency Margin		13,370	10,006
	Capital and funds, etc.	8,854	5,582
	Reserve for price fluctuation	40	43
	Contingency reserve	11	11
	Catastrophic loss reserve	3,960	3,895
	General allowance for possible credit losses	—	—
	Unrealized gains and losses on securities, deferred gains and losses on hedges (before tax effect deductions)	501	472
	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	2	1
(B) Total Non-consolidated Risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$		4,758	5,283
	Underwriting risk (R_1)	3,525	4,042
	Underwriting risk for third-sector insurance products including accident, sickness and nursing-care insurance (R_2)	—	—
	Guaranteed interest rate risk (R_3)	23	21
	Investment risk (R_4)	664	657
	Business management risk (R_5)	156	172
	Major catastrophe risk (R_6)	1,009	1,011
(C) Non-consolidated Solvency Margin Ratio [(A) / {(B) × 1/2}] × 100		562.0 %	378.8 %

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, 2017 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, 2017.

Sonpo 24 Insurance Company Limited (Non-consolidated)

Quarterly Balance Sheet

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017	Increase (Decrease)
	Amount	Amount	
Assets:			
Cash and deposits	15,196	18,730	3,534
Securities	7,127	3,506	(3,621)
Tangible fixed assets	204	187	(17)
Other assets	909	705	(203)
Deferred tax assets	258	261	3
Total assets	23,696	23,391	(305)
Liabilities:			
Underwriting funds:	13,427	12,596	(831)
Reserve for outstanding losses and claims	5,382	4,945	(436)
Underwriting reserves	8,045	7,650	(394)
Other liabilities	2,279	1,611	(667)
Reserve for retirement benefits	258	277	19
Reserve for bonus payments	97	24	(72)
Reserve for bonus payments to directors	5	—	(5)
Reserves under the special laws:	41	35	(6)
Reserve for price fluctuation	41	35	(6)
Total liabilities	16,110	14,545	(1,564)
Net assets:			
Shareholders' equity:			
Common stock	19,000	19,000	—
Capital surplus	19,000	19,000	—
Retained earnings	(30,423)	(29,156)	1,267
Total shareholders' equity	7,576	8,843	1,267
Valuation and translation adjustments:			
Unrealized gains and losses on securities available for sale	9	1	(8)
Total valuation and translation adjustments	9	1	(8)
Total net assets	7,586	8,845	1,259
Total liabilities and net assets	23,696	23,391	(305)

Sonpo 24 Insurance Company Limited (Non-consolidated)

Quarterly Statement of Income

(Millions of yen)

	Nine months ended December 31, 2016 (April 1 to December 31, 2016)	Nine months ended December 31, 2017 (April 1 to December 31, 2017)	Increase (Decrease)	Rate of change
	Amount	Amount		
				%
Ordinary income:	10,278	10,192	(86)	(0.8)
Underwriting income:	10,259	10,198	(60)	(0.6)
Net premiums written	10,022	9,359	(663)	(6.6)
Interest and dividend income on deposits of premiums, etc.	9	7	(1)	(15.2)
Reversal of reserve for outstanding losses and claims	99	436	337	339.3
Reversal of underwriting reserves	127	394	267	209.5
Investment income:	(1)	(7)	(5)	—
Interest and dividend income	7	0	(7)	(93.5)
Transfer of interest and dividend income on deposits of premiums, etc.	(9)	(7)	1	—
Other ordinary income	21	0	(20)	(95.4)
Ordinary expenses:	9,271	8,679	(591)	(6.4)
Underwriting expenses:	6,780	6,386	(393)	(5.8)
Net claims paid	5,375	5,073	(301)	(5.6)
Loss adjustment expenses	782	751	(31)	(4.0)
Net commissions and brokerage fees	622	561	(61)	(9.9)
Operating, general and administrative expenses	2,490	2,292	(198)	(8.0)
Other ordinary expenses	0	0	0	718.3
Ordinary profit	1,007	1,513	505	50.2
Extraordinary gains:	—	6	6	—
Reversal of reserves under the special laws:	—	6	6	—
Reversal of reserve for price fluctuation	—	6	6	—
Extraordinary losses:	1	32	30	1,561.1
Losses on disposal of fixed assets	0	1	0	273.5
Provision for reserves under the special laws:	1	—	(1)	(100.0)
Provision for reserve for price fluctuation	1	—	(1)	(100.0)
Business structure reform expenses	—	30	30	—
Net income before income taxes	1,005	1,487	482	48.0
Income taxes and deferred income taxes	119	220	100	83.8
Net income	885	1,267	381	43.1

Underwriting result:					
Net premiums written	(+)	10,022	9,359	(663)	(6.6)
Net claims paid	(−)	5,375	5,073	(301)	(5.6)
Loss adjustment expenses	(−)	782	751	(31)	(4.0)
Net operating expenses:	(−)	3,111	2,851	(259)	(8.4)
Net commissions and brokerage fees		622	561	(61)	(9.9)
Operating, general and administrative expenses related to underwriting		2,488	2,290	(198)	(8.0)
Underwriting result		754	683	(70)	(9.4)
Underwriting profit		990	1,522	531	53.7
Ratios:					
Net loss ratio	(%)	61.4	62.2	0.8	
Net operating expenses ratio	(%)	31.0	30.5	(0.6)	
Combined ratio	(%)	92.5	92.7	0.2	

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, 2016 (April 1 to December 31, 2016)			Nine months ended December 31, 2017 (April 1 to December 31, 2017)		
	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	9,899	100.0	(2.6)	9,235	100.0	(6.7)
Compulsory automobile liability insurance	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total	9,899	100.0	(2.6)	9,235	100.0	(6.7)
Deposits of premiums by policyholders	—	——	—	—	——	—

Net premiums written

(Millions of yen)

Business line	Nine months ended December 31, 2016 (April 1 to December 31, 2016)			Nine months ended December 31, 2017 (April 1 to December 31, 2017)		
	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	9,849	98.3	(2.3)	9,185	98.1	(6.7)
Compulsory automobile liability insurance	173	1.7	(6.1)	174	1.9	0.7
Others	—	—	—	—	—	—
Total	10,022	100.0	(2.4)	9,359	100.0	(6.6)

Net claims paid

(Millions of yen)

Business line	Nine months ended December 31, 2016 (April 1 to December 31, 2016)			Nine months ended December 31, 2017 (April 1 to December 31, 2017)		
	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	5,185	(1.9)	60.6	4,897	(5.6)	61.5
Compulsory automobile liability insurance	189	(3.0)	109.5	176	(6.9)	101.2
Others	—	—	—	—	—	—
Total	5,375	(1.9)	61.4	5,073	(5.6)	62.2

Sonpo 24 Insurance Company Limited (Non-consolidated)

Non-consolidated Solvency Margin Ratio

(Millions of yen)

		As of March 31, 2017	As of December 31, 2017
(A) Total Non-consolidated Solvency Margin		8,166	9,424
	Capital and funds, etc.	7,576	8,843
	Reserve for price fluctuation	41	35
	Contingency reserve	—	—
	Catastrophic loss reserve	535	543
	General allowance for possible credit losses	—	—
	Unrealized gains and losses on securities, deferred gains and losses on hedges (before tax effect deductions)	11	1
	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 $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$		1,960	1,891
	Underwriting risk (R_1)	1,735	1,676
	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)	296	258
	Business management risk (R_5)	65	62
	Major catastrophe risk (R_6)	134	133
(C) Non-consolidated Solvency Margin Ratio [(A) / {(B) × 1/2}] × 100		833.0 %	966.3 %

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, 2017 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, 2017.

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

Quarterly Balance Sheet

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017	Increase (Decrease)
	Amount	Amount	
Assets:			
Cash and deposits	58,074	72,803	14,728
Securities:	2,434,670	2,586,123	151,452
Government bonds	1,699,212	1,753,864	54,651
Municipal bonds	58,608	59,409	800
Corporate bonds	343,065	345,966	2,900
Domestic stocks	7,963	9,510	1,546
Foreign securities	325,819	417,372	91,553
Loans:	38,254	39,398	1,144
Policy loans	38,254	39,398	1,144
Tangible fixed assets	1,515	1,458	(57)
Agency accounts receivable	132	125	(7)
Reinsurance accounts receivable	1,756	1,651	(104)
Other assets	46,196	47,002	805
Deferred tax assets	8,464	8,183	(280)
Allowance for possible credit losses	(37)	(47)	(9)
Total assets	2,589,026	2,756,699	167,673
Liabilities:			
Policy reserves:	2,417,365	2,553,445	136,080
Reserve for outstanding claims	40,870	42,623	1,752
Policy reserves	2,371,198	2,505,281	134,083
Reserve for dividends to policyholders	5,296	5,540	243
Agency accounts payable	6,073	2,473	(3,599)
Reinsurance accounts payable	987	824	(163)
Other liabilities	17,734	41,260	23,525
Reserve for bonus payments to directors	52	—	(52)
Reserve for retirement benefits	3,235	3,647	412
Reserves under the special laws:	5,412	6,479	1,067
Reserve for price fluctuation	5,412	6,479	1,067
Total liabilities	2,450,859	2,608,130	157,270
Net assets:			
Shareholders' equity:			
Common stock	17,250	17,250	—
Capital surplus	16,300	16,300	—
Retained earnings	58,506	66,358	7,852
Total shareholders' equity	92,056	99,908	7,852
Valuation and translation adjustments:			
Unrealized gains and losses on securities available for sale	46,109	48,660	2,550
Total valuation and translation adjustments	46,109	48,660	2,550
Total net assets	138,166	148,569	10,402
Total liabilities and net assets	2,589,026	2,756,699	167,673

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

Quarterly Statement of Income

(Millions of yen)

	Nine months ended December 31, 2016 (April 1 to December 31, 2016)	Nine months ended December 31, 2017 (April 1 to December 31, 2017)	Increase (Decrease)	Rate of change
	Amount	Amount		
				%
Ordinary income:	341,899	358,850	16,950	5.0
Insurance premiums and other:	304,605	319,655	15,049	4.9
Insurance premiums	301,562	317,059	15,497	5.1
Investment income:	36,458	37,396	937	2.6
Interest and dividend income and other	30,871	32,949	2,078	6.7
Gains on sales of securities	3,735	1,943	(1,792)	(48.0)
Investment gains on special account	1,851	2,503	651	35.2
Other ordinary income	835	1,798	963	115.3
Ordinary expenses:	326,147	343,427	17,279	5.3
Insurance claims and other:	135,919	133,559	(2,359)	(1.7)
Insurance claims	22,411	25,361	2,949	13.2
Annuity payments	9,544	9,324	(219)	(2.3)
Insurance benefits	29,246	31,542	2,296	7.9
Surrender benefits	69,937	62,904	(7,032)	(10.1)
Other refunds	1,881	1,689	(192)	(10.2)
Provision for policy reserves and other:	111,043	135,836	24,792	22.3
Provision for reserve for outstanding claims	1,938	1,752	(186)	(9.6)
Provision for policy reserves	109,104	134,083	24,979	22.9
Provision for interest portion of reserve for dividends to policyholders	0	0	(0)	(79.5)
Investment expenses:	2,543	2,385	(158)	(6.2)
Interest paid	70	74	3	5.1
Losses on sales of securities	1,610	1,203	(407)	(25.3)
Losses on derivatives	780	1,027	247	31.8
Operating expenses	73,863	68,762	(5,100)	(6.9)
Other ordinary expenses	2,777	2,883	105	3.8
Ordinary profit	15,752	15,422	(329)	(2.1)
Extraordinary gains:	0	0	(0)	(11.5)
Gains on disposal of fixed assets and other	0	0	(0)	(11.5)
Extraordinary losses:	836	1,071	234	28.0
Losses on disposal of fixed assets and other	1	4	2	217.7
Provision for reserves under the special laws:	835	1,067	231	27.7
Provision for reserve for price fluctuation	835	1,067	231	27.7
Provision for reserve for dividends to policyholders	3,262	3,204	(58)	(1.8)
Net income before income taxes	11,652	11,147	(505)	(4.3)
Income taxes and deferred income taxes	3,506	3,295	(210)	(6.0)
Net income	8,146	7,852	(294)	(3.6)

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, 2017				As of December 31, 2017			
	Number		Amount		Number		Amount	
		% of previous fiscal year		% of previous fiscal year		% of previous fiscal year		% of previous fiscal year
Individual insurance	3,858	105.5	220,669	103.2	3,945	102.3	219,574	99.5
Individual annuities	67	98.5	2,586	96.7	64	96.0	2,510	97.1
Group insurance	——	——	27,011	95.5	——	——	27,556	102.0
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, 2016 (April 1 to December 31, 2016)				Nine months ended December 31, 2017 (April 1 to December 31, 2017)			
	Number		Amount		Number		Amount	
		% of previous fiscal year		% of previous fiscal year		% of previous fiscal year		% of previous fiscal year
Individual insurance	289	82.0	16,613	100.1	228	79.1	11,608	69.9
Individual annuities	0	87.6	35	99.8	—	—	—	—
Group insurance	——	——	160	66.7	——	——	153	95.8
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, 2017		As of December 31, 2017	
		% of previous fiscal year		% of previous fiscal year
Individual insurance	338,312	107.8	348,302	103.0
Individual annuities	19,352	101.6	18,797	97.1
Total	357,664	107.5	367,099	102.6
Medical and survival benefits	136,114	105.1	140,653	103.3

New policies

(Millions of yen, %)

	Nine months ended December 31, 2016 (April 1 to December 31, 2016)		Nine months ended December 31, 2017 (April 1 to December 31, 2017)	
		% of previous fiscal year		% of previous fiscal year
Individual insurance	32,832	110.1	26,564	80.9
Individual annuities	126	94.7	—	—
Total	32,958	110.0	26,564	80.6
Medical and survival benefits	11,720	74.6	10,133	86.5

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, 2017	As of December 31, 2017
(A) Total Non-consolidated Solvency Margin		335,187	360,310
	Capital, etc.	92,056	100,161
	Reserve for price fluctuation	5,412	6,479
	Contingency reserve	29,531	29,936
	General allowance for possible credit losses	3	6
	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)	57,637	60,825
	Unrealized gains and losses on land (85% of gain or 100% of loss)	—	—
	Excess amount of continued Zillmerized reserve	146,556	160,671
	Subordinated debt, etc.	—	—
	Excess amount of continued Zillmerized reserve and subordinated debt, etc. which are excluded from total solvency margin	(19,159)	(23,835)
	Brought in capital, etc.	—	—
	Deductions	—	—
	Others	23,148	26,064
(B) Total Non-consolidated Risks $\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$		42,616	45,581
	Underwriting risk (R_1)	13,620	13,547
	Underwriting risk for third-sector insurance products including accident, sickness and nursing-care insurance (R_8)	8,725	9,114
	Guaranteed interest rate risk (R_2)	8,369	8,414
	Guaranteed minimum benefit risk (R_7)	374	379
	Investment risk (R_3)	26,191	29,346
	Business management risk (R_4)	1,145	1,216
(C) Non-consolidated Solvency Margin Ratio [(A) / {(B) × 1/2}] × 100		1,573.0 %	1,580.9 %

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.