SOMPO HOLDINGS

UNOFFICIAL TRANSLATION

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Summary of Consolidated Financial Results for the nine months ended December 31, 2018

Supplementary Information

February 14, 2019

Sompo Holdings, Inc.

（ Securities Code : 8630 ）

Summary of Consolidated Financial Results for the nine months ended December 31, 2018

Contents -- Supplementary Information

Overview of Business Results of Principal Consolidated Subsidiaries

Sompo Japan Nipponkoa Insurance Inc. (Non-consolidated) **2**
Quarterly Balance Sheet 2
Quarterly Statement of Income 3
Premiums Written and Claims Paid by Business Lines 4
Non-consolidated Solvency Margin Ratio 5

SAISON AUTOMOBILE AND FIRE INSURANCE COMPANY, LIMITED (Non-consolidated) **6**
Quarterly Balance Sheet 6
Quarterly Statement of Income 7
Premiums Written and Claims Paid by Business Lines 8
Non-consolidated Solvency Margin Ratio 9

Sonpo 24 Insurance Company Limited (Non-Consolidated) **10**
Quarterly Balance Sheet 10
Quarterly Statement of Income 11
Premiums Written and Claims Paid by Business Lines 12
Non-consolidated Solvency Margin Ratio 13

Sompo Japan Nipponkoa Himawari Life Insurance, Inc. (Non-consolidated) **14**
Quarterly Balance Sheet 14
Quarterly Statement of Income 15
Major Business Results
(Total amount of policies in force, Total amount of new policies, and Annualized premiums) 16
Non-consolidated Solvency Margin Ratio 17

Supplementary Explanation **18**
Calculation of ratios, etc. 18
Non-consolidated solvency margin ratio 18

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, 2018	As of December 31, 2018	Increase (Decrease)
	Amount	Amount	
Assets:			
Cash and deposits	445,878	455,872	9,994
Receivables under resale agreements	74,998	44,999	(29,999)
Monetary receivables bought	6,301	9,008	2,707
Money trusts	98,613	52,984	(45,629)
Securities	5,491,040	5,121,300	(369,739)
Loans	661,399	679,294	17,895
Tangible fixed assets	244,366	244,994	627
Intangible fixed assets	79,404	104,506	25,102
Other assets:	596,552	700,523	103,970
Prepaid pension cost	669	525	(143)
Deferred tax assets	—	1,325	1,325
Allowance for possible credit losses	(3,570)	(3,482)	88
Allowance for possible investment losses	(7,476)	(7,278)	197
Total assets	7,688,176	7,404,575	(283,601)
Liabilities:			
Underwriting funds:	4,766,933	4,622,094	(144,838)
Reserve for outstanding losses and claims	907,429	922,893	15,463
Underwriting reserves	3,859,504	3,699,201	(160,302)
Corporate bonds	433,560	433,560	—
Other liabilities	651,635	696,017	44,381
Reserve for retirement benefits	92,974	97,807	4,832
Reserve for bonus payments	18,435	4,682	(13,753)
Reserve for bonus payments to directors	97	—	(97)
Reserves under the special laws:	79,193	82,257	3,064
Reserve for price fluctuation	79,193	82,257	3,064
Deferred tax liabilities	70,750	—	(70,750)
Total liabilities	6,113,580	5,936,419	(177,161)
Net assets:			
Shareholders' equity:			
Common stock	70,000	70,000	—
Capital surplus	70,000	70,000	—
Retained earnings	459,119	547,386	88,267
Total shareholders' equity	599,119	687,386	88,267
Valuation and translation adjustments:			
Unrealized gains and losses on securities available for sale	968,426	774,558	(193,867)
Deferred gains and losses on hedges	7,050	6,210	(840)
Total valuation and translation adjustments	975,477	780,769	(194,707)
Total net assets	1,574,596	1,468,156	(106,440)
Total liabilities and net assets	7,688,176	7,404,575	(283,601)

Sompo Japan Nipponkoa Insurance Inc. (Non-consolidated)

Quarterly Statement of Income

(Millions of yen)

	Nine months ended December 31, 2017 (April 1 to December 31, 2017)	Nine months ended December 31, 2018 (April 1 to December 31, 2018)	Increase (Decrease)	Rate of change
	Amount	Amount		
				%
Ordinary income:	1,955,338	2,015,506	60,167	3.1
Underwriting income:	1,838,169	1,888,115	49,945	2.7
Net premiums written	1,636,190	1,614,384	(21,806)	(1.3)
Deposits of premiums by policyholders	91,846	84,631	(7,214)	(7.9)
Interest and dividend income on deposits of premiums, etc.	29,781	27,947	(1,833)	(6.2)
Reversal of reserve for outstanding losses and claims	14,384	－	(14,384)	(100.0)
Reversal of underwriting reserves	62,756	160,302	97,545	155.4
Investment income:	111,540	121,806	10,266	9.2
Interest and dividend income	77,853	83,855	6,001	7.7
Investment gains on money trusts	4,990	4,611	(379)	(7.6)
Gains on sales of securities	54,658	55,005	346	0.6
Transfer of interest and dividend income on deposits of premiums, etc.	(29,781)	(27,947)	1,833	－
Other ordinary income	5,628	5,584	(43)	(0.8)
Ordinary expenses:	1,805,107	1,871,095	65,987	3.7
Underwriting expenses:	1,513,910	1,595,509	81,599	5.4
Net claims paid	953,872	1,043,410	89,538	9.4
Loss adjustment expenses	93,730	88,911	(4,819)	(5.1)
Net commissions and brokerage fees	295,379	293,448	(1,931)	(0.7)
Maturity refunds to policyholders	168,837	152,163	(16,673)	(9.9)
Provision for reserve for outstanding losses and claims	－	15,463	15,463	－
Investment expenses:	40,176	24,778	(15,397)	(38.3)
Investment losses on money trusts	131	988	856	648.9
Losses on sales of securities	386	15,294	14,907	3,855.9
Impairment losses on securities	25,345	3,026	(22,318)	(88.1)
Operating, general and administrative expenses	243,277	243,763	486	0.2
Other ordinary expenses:	7,743	7,043	(700)	(9.0)
Interest paid	5,282	5,389	107	2.0
Ordinary profit	150,230	144,410	(5,820)	(3.9)
Extraordinary gains:	23,927	265	(23,661)	(98.9)
Gains on disposal of fixed assets	855	265	(590)	(69.0)
Other extraordinary gains	23,071	－	(23,071)	(100.0)
Extraordinary losses:	11,673	3,603	(8,069)	(69.1)
Losses on disposal of fixed assets	781	539	(242)	(31.0)
Impairment losses	2,738	－	(2,738)	(100.0)
Provision for reserves under the special laws:	8,152	3,064	(5,088)	(62.4)
Provision for reserve for price fluctuation	8,152	3,064	(5,088)	(62.4)
Net income before income taxes	162,483	141,071	(21,411)	(13.2)
Income taxes and deferred income taxes	(12,557)	32,587	45,144	－
Net income	175,040	108,484	(66,556)	(38.0)

Underwriting result:					
Net premiums written	(+)	1,636,190	1,614,384	(21,806)	(1.3)
Net claims paid	(－)	953,872	1,043,410	89,538	9.4
Loss adjustment expenses	(－)	93,730	88,911	(4,819)	(5.1)
Net operating expenses:	(－)	524,978	521,276	(3,701)	(0.7)
Net commissions and brokerage fees		295,379	293,448	(1,931)	(0.7)
Operating, general and administrative expenses related to underwriting		229,598	227,828	(1,770)	(0.8)
Underwriting result		63,609	(39,213)	(102,823)	(161.6)
Underwriting profit		94,606	63,846	(30,760)	(32.5)
Ratios:					
Net loss ratio	(%)	64.0	70.1	6.1	
Net operating expenses ratio	(%)	32.1	32.3	0.2	
Combined ratio	(%)	96.1	102.4	6.3	

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, 2017 (April 1 to December 31, 2017)			Nine months ended December 31, 2018 (April 1 to December 31, 2018)		
	Amount	% of total amount	Rate of change	Amount	% of total amount	Rate of change
		%	%		%	%
Fire and allied insurance	275,484	15.7	7.0	298,775	16.8	8.5
Marine insurance	35,493	2.0	5.5	35,052	2.0	(1.2)
Personal accident insurance	141,435	8.0	(0.1)	134,761	7.6	(4.7)
Voluntary automobile insurance	808,575	46.0	0.2	802,861	45.1	(0.7)
Compulsory automobile liability insurance	223,585	12.7	(4.2)	219,314	12.3	(1.9)
Others	274,307	15.6	4.7	291,229	16.3	6.2
Total	1,758,880	100.0	1.4	1,781,995	100.0	1.3
Deposits of premiums by policyholders	91,846	——	(10.1)	84,631	——	(7.9)

Net premiums written

(Millions of yen)

Business line	Nine months ended December 31, 2017 (April 1 to December 31, 2017)			Nine months ended December 31, 2018 (April 1 to December 31, 2018)		
	Amount	% of total amount	Rate of change	Amount	% of total amount	Rate of change
		%	%		%	%
Fire and allied insurance	208,606	12.7	2.0	199,239	12.3	(4.5)
Marine insurance	35,918	2.2	9.8	34,411	2.1	(4.2)
Personal accident insurance	139,044	8.5	(0.4)	131,978	8.2	(5.1)
Voluntary automobile insurance	806,642	49.3	0.1	799,966	49.6	(0.8)
Compulsory automobile liability insurance	223,317	13.6	1.8	206,972	12.8	(7.3)
Others	222,659	13.6	2.6	241,816	15.0	8.6
Total	1,636,190	100.0	1.1	1,614,384	100.0	(1.3)

Net claims paid

(Millions of yen)

Business line	Nine months ended December 31, 2017 (April 1 to December 31, 2017)			Nine months ended December 31, 2018 (April 1 to December 31, 2018)		
	Amount	Rate of change	Net loss ratio	Amount	Rate of change	Net loss ratio
		%	%		%	%
Fire and allied insurance	159,258	7.9	78.0	224,463	40.9	114.4
Marine insurance	18,006	(8.4)	52.9	20,786	15.4	63.4
Personal accident insurance	71,082	0.3	55.2	67,921	(4.4)	55.2
Voluntary automobile insurance	433,346	4.2	61.4	442,004	2.0	62.6
Compulsory automobile liability insurance	163,868	(4.3)	79.7	158,513	(3.3)	82.9
Others	108,310	5.9	52.0	129,720	19.8	56.7
Total	953,872	2.9	64.0	1,043,410	9.4	70.1

Sompo Japan Nipponkoa Insurance Inc. (Non-consolidated)

Non-consolidated Solvency Margin Ratio

(Millions of yen)

		As of March 31, 2018	As of December 31, 2018
(A) Total Non-consolidated Solvency Margin		3,078,246	2,875,075
	Capital and funds, etc.	598,902	687,386
	Reserve for price fluctuation	79,193	82,257
	Contingency reserve	611	611
	Catastrophic loss reserve	555,293	447,876
	General allowance for possible credit losses	229	196
	Unrealized gains and losses on securities, deferred gains and losses on hedges (before tax effect deductions)	1,184,429	949,414
	Unrealized gains and losses on land	93,030	106,910
	Excess amount of reserve for maturity refunds	—	—
	Subordinated debt, etc.	433,560	433,560
	Excess amount of reserve for maturity refunds and subordinated debt, etc. which are excluded from total solvency margin	—	—
	Deductions	54,455	54,633
	Others	187,451	221,495
(B) Total Non-consolidated Risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$		837,472	811,322
	Underwriting risk (R_1)	187,079	188,087
	Underwriting risk for third-sector insurance products including accident, sickness and nursing-care insurance (R_2)	—	—
	Guaranteed interest rate risk (R_3)	19,350	18,937
	Investment risk (R_4)	646,159	588,905
	Business management risk (R_5)	19,583	19,038
	Major catastrophe risk (R_6)	126,585	156,005
(C) Non-consolidated Solvency Margin Ratio [(A) / {(B) × 1/2}] × 100		735.1 %	708.7 %

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, 2018 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, 2018.

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

Quarterly Balance Sheet

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018	Increase (Decrease)
	Amount	Amount	
Assets:			
Cash and deposits	27,171	23,845	(3,325)
Securities	18,462	18,106	(356)
Loans	0	0	0
Tangible fixed assets	310	369	59
Intangible fixed assets	2,896	3,236	339
Other assets	4,998	7,106	2,107
Allowance for possible credit losses	(31)	(31)	(0)
Total assets	53,807	52,633	(1,174)
Liabilities:			
Underwriting funds:	41,984	45,205	3,221
Reserve for outstanding losses and claims	13,630	14,390	760
Underwriting reserves	28,353	30,814	2,461
Other liabilities	3,049	1,928	(1,121)
Reserve for retirement benefits to directors	25	29	3
Reserve for bonus payments	273	166	(106)
Reserve for bonus payments to directors	22	17	(4)
Reserves under the special laws:	44	47	3
Reserve for price fluctuation	44	47	3
Deferred tax liabilities	118	132	14
Total liabilities	45,518	47,528	2,009
Net assets:			
Shareholders' equity:			
Common stock	31,010	31,010	—
Capital surplus	29,247	29,247	—
Retained earnings	(52,364)	(55,586)	(3,221)
Total shareholders' equity	7,893	4,671	(3,221)
Valuation and translation adjustments:			
Unrealized gains and losses on securities available for sale	396	432	36
Total valuation and translation adjustments	396	432	36
Total net assets	8,289	5,104	(3,184)
Total liabilities and net assets	53,807	52,633	(1,174)

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

Quarterly Statement of Income

(Millions of yen)

	Nine months ended December 31, 2017 (April 1 to December 31, 2017)	Nine months ended December 31, 2018 (April 1 to December 31, 2018)	Increase (Decrease)	Rate of change
	Amount	Amount		
				%
Ordinary income:	30,527	32,872	2,344	7.7
Underwriting income:	30,444	32,838	2,394	7.9
Net premiums written	30,404	32,808	2,404	7.9
Deposits of premiums by policyholders	13	3	(10)	(74.2)
Interest and dividend income on deposits of premiums, etc.	26	26	(0)	(1.2)
Investment income:	80	32	(48)	(60.0)
Interest and dividend income	64	57	(7)	(10.9)
Gains on sales of securities	37	―	(37)	(100.0)
Transfer of interest and dividend income on deposits of premiums, etc.	(26)	(26)	0	―
Other ordinary income	2	0	(1)	(54.7)
Ordinary expenses:	33,786	36,077	2,290	6.8
Underwriting expenses:	24,289	26,777	2,487	10.2
Net claims paid	17,125	20,285	3,160	18.5
Loss adjustment expenses	2,356	2,688	331	14.1
Net commissions and brokerage fees	650	481	(169)	(26.0)
Maturity refunds to policyholders	74	84	10	14.3
Provision for reserve for outstanding losses and claims	643	760	116	18.1
Provision for underwriting reserves	3,430	2,461	(969)	(28.3)
Investment expenses:	2	2	0	0.7
Operating, general and administrative expenses	9,480	9,284	(196)	(2.1)
Other ordinary expenses:	14	13	(0)	(5.7)
Interest paid	3	4	0	20.4
Ordinary loss	(3,259)	(3,205)	53	―
Extraordinary losses:	3	3	0	1.1
Losses on disposal of fixed assets	0	0	(0)	(33.2)
Provision for reserves under the special laws:	3	3	0	7.9
Provision for reserve for price fluctuation	3	3	0	7.9
Net loss before income taxes	(3,262)	(3,209)	53	―
Income taxes and deferred income taxes	9	11	2	23.4
Net loss	(3,272)	(3,221)	51	―

Underwriting result:					
Net premiums written	(+)	30,404	32,808	2,404	7.9
Net claims paid	(−)	17,125	20,285	3,160	18.5
Loss adjustment expenses	(−)	2,356	2,688	331	14.1
Net operating expenses:	(−)	10,114	9,747	(366)	(3.6)
Net commissions and brokerage fees		650	481	(169)	(26.0)
Operating, general and administrative expenses related to underwriting		9,463	9,265	(197)	(2.1)
Underwriting result		808	87	(721)	(89.2)
Underwriting profit (loss)		(3,286)	(3,189)	97	―
Ratios:					
Net loss ratio	(%)	64.1	70.0	5.9	
Net operating expenses ratio	(%)	33.3	29.7	(3.6)	
Combined ratio	(%)	97.4	99.7	2.4	

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, 2017 (April 1 to December 31, 2017)			Nine months ended December 31, 2018 (April 1 to December 31, 2018)		
	Amount	% of total amount	Rate of change	Amount	% of total amount	Rate of change
		%	%		%	%
Fire and allied insurance	1,070	3.4	(9.9)	884	2.6	(17.4)
Marine insurance	—	—	—	—	—	—
Personal accident insurance	2,509	7.9	(8.4)	2,230	6.6	(11.1)
Voluntary automobile insurance	27,170	85.7	19.8	29,866	88.1	9.9
Compulsory automobile liability insurance	—	—	—	—	—	—
Others	944	3.0	1.1	930	2.7	(1.5)
Total	31,694	100.0	15.1	33,911	100.0	7.0
Deposits of premiums by policyholders	13	——	(63.3)	3	——	(74.2)

Net premiums written

(Millions of yen)

Business line	Nine months ended December 31, 2017 (April 1 to December 31, 2017)			Nine months ended December 31, 2018 (April 1 to December 31, 2018)		
	Amount	% of total amount	Rate of change	Amount	% of total amount	Rate of change
		%	%		%	%
Fire and allied insurance	381	1.3	(18.4)	338	1.0	(11.3)
Marine insurance	0	0.0	(84.1)	(0)	(0.0)	(105.0)
Personal accident insurance	1,789	5.9	(6.1)	1,607	4.9	(10.2)
Voluntary automobile insurance	26,954	88.7	19.7	29,630	90.3	9.9
Compulsory automobile liability insurance	335	1.1	3.4	303	0.9	(9.6)
Others	943	3.1	1.1	928	2.8	(1.5)
Total	30,404	100.0	16.3	32,808	100.0	7.9

Net claims paid

(Millions of yen)

Business line	Nine months ended December 31, 2017 (April 1 to December 31, 2017)			Nine months ended December 31, 2018 (April 1 to December 31, 2018)		
	Amount	Rate of change	Net loss ratio	Amount	Rate of change	Net loss ratio
		%	%		%	%
Fire and allied insurance	249	(20.5)	76.5	583	133.5	181.7
Marine insurance	0	2.9	311.4	0	(61.3)	—
Personal accident insurance	1,184	16.1	76.1	1,027	(13.2)	76.1
Voluntary automobile insurance	15,151	21.8	63.9	18,159	19.9	69.3
Compulsory automobile liability insurance	305	(2.2)	91.2	311	2.0	103.6
Others	233	78.4	32.4	202	(13.0)	29.4
Total	17,125	20.4	64.1	20,285	18.5	70.0

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

Non-consolidated Solvency Margin Ratio

(Millions of yen)

		As of March 31, 2018	As of December 31, 2018
(A) Total Non-consolidated Solvency Margin		12,720	9,144
	Capital and funds, etc.	7,893	4,671
	Reserve for price fluctuation	44	47
	Contingency reserve	11	11
	Catastrophic loss reserve	4,306	3,904
	General allowance for possible credit losses	—	—
	Unrealized gains and losses on securities, deferred gains and losses on hedges (before tax effect deductions)	463	509
	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	1	0
(B) Total Non-consolidated Risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$		5,482	5,953
	Underwriting risk (R_1)	4,233	4,610
	Underwriting risk for third-sector insurance products including accident, sickness and nursing-care insurance (R_2)	—	—
	Guaranteed interest rate risk (R_3)	21	19
	Investment risk (R_4)	702	660
	Business management risk (R_5)	178	191
	Major catastrophe risk (R_6)	1,008	1,100
(C) Non-consolidated Solvency Margin Ratio [(A) / {(B) × 1/2}] × 100		463.9 %	307.2 %

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, 2018 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, 2018.

Sonpo 24 Insurance Company Limited (Non-consolidated)

Quarterly Balance Sheet

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018	Increase (Decrease)
	Amount	Amount	
Assets:			
Cash and deposits	20,795	21,040	245
Securities	2,001	—	(2,001)
Tangible fixed assets	188	151	(36)
Other assets	895	463	(431)
Deferred tax assets	219	219	0
Total assets	24,100	21,875	(2,224)
Liabilities:			
Underwriting funds:	11,933	9,745	(2,187)
Reserve for outstanding losses and claims	4,458	4,172	(285)
Underwriting reserves	7,475	5,573	(1,901)
Other liabilities	2,200	1,294	(905)
Reserve for retirement benefits	280	817	536
Reserve for bonus payments	98	19	(78)
Reserve for bonus payments to directors	4	—	(4)
Reserves under the special laws:	20	—	(20)
Reserve for price fluctuation	20	—	(20)
Total liabilities	14,537	11,877	(2,659)
Net assets:			
Shareholders' equity:			
Common stock	19,000	19,000	—
Capital surplus	19,000	19,000	—
Retained earnings	(28,437)	(28,001)	435
Total shareholders' equity	9,562	9,998	435
Valuation and translation adjustments:			
Unrealized gains and losses on securities available for sale	0	—	(0)
Total valuation and translation adjustments	0	—	(0)
Total net assets	9,562	9,998	435
Total liabilities and net assets	24,100	21,875	(2,224)

Sonpo 24 Insurance Company Limited (Non-consolidated)

Quarterly Statement of Income

(Millions of yen)

	Nine months ended December 31, 2017 (April 1 to December 31, 2017)	Nine months ended December 31, 2018 (April 1 to December 31, 2018)	Increase (Decrease)	Rate of change
	Amount	Amount		%
Ordinary income:	10,192	9,480	(711)	(7.0)
Underwriting income:	10,198	9,467	(731)	(7.2)
Net premiums written	9,359	7,272	(2,087)	(22.3)
Interest and dividend income on deposits of premiums, etc.	7	7	(0)	(1.5)
Reversal of reserve for outstanding losses and claims	436	285	(150)	(34.5)
Reversal of underwriting reserves	394	1,901	1,506	381.8
Investment income:	(7)	(7)	(0)	—
Interest and dividend income	0	(0)	(0)	(117.0)
Transfer of interest and dividend income on deposits of premiums, etc.	(7)	(7)	0	—
Other ordinary income	0	20	19	2,034.2
Ordinary expenses:	8,679	8,183	(495)	(5.7)
Underwriting expenses:	6,386	6,023	(363)	(5.7)
Net claims paid	5,073	4,905	(168)	(3.3)
Loss adjustment expenses	751	724	(27)	(3.7)
Net commissions and brokerage fees	561	394	(166)	(29.7)
Operating, general and administrative expenses	2,292	2,159	(133)	(5.8)
Other ordinary expenses	0	0	0	63.0
Ordinary profit	1,513	1,296	(216)	(14.3)
Extraordinary gains:	6	20	13	203.6
Reversal of reserves under the special laws:	6	20	13	203.6
Reversal of reserve for price fluctuation	6	20	13	203.6
Extraordinary losses:	32	533	501	1,558.3
Losses on disposal of fixed assets	1	1	(0)	(0.2)
Business structure reform expenses	30	532	501	1,622.8
Net income before income taxes	1,487	783	(703)	(47.3)
Income taxes and deferred income taxes	220	348	128	58.2
Net income	1,267	435	(831)	(65.6)

Underwriting result:					
Net premiums written	(+)	9,359	7,272	(2,087)	(22.3)
Net claims paid	(−)	5,073	4,905	(168)	(3.3)
Loss adjustment expenses	(−)	751	724	(27)	(3.7)
Net operating expenses:	(−)	2,851	2,552	(298)	(10.5)
Net commissions and brokerage fees		561	394	(166)	(29.7)
Operating, general and administrative expenses related to underwriting		2,290	2,157	(132)	(5.8)
Underwriting result		683	(908)	(1,591)	(233.0)
Underwriting profit		1,522	1,286	(235)	(15.5)
Ratios:					
Net loss ratio	(%)	62.2	77.4	15.2	
Net operating expenses ratio	(%)	30.5	35.1	4.6	
Combined ratio	(%)	92.7	112.5	19.8	

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, 2017 (April 1 to December 31, 2017)			Nine months ended December 31, 2018 (April 1 to December 31, 2018)		
	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	9,235	100.0	(6.7)	7,153	100.0	(22.5)
Compulsory automobile liability insurance	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total	9,235	100.0	(6.7)	7,153	100.0	(22.5)
Deposits of premiums by policyholders	—	——	—	—	——	—

Net premiums written

(Millions of yen)

Business line	Nine months ended December 31, 2017 (April 1 to December 31, 2017)			Nine months ended December 31, 2018 (April 1 to December 31, 2018)		
	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	9,185	98.1	(6.7)	7,117	97.9	(22.5)
Compulsory automobile liability insurance	174	1.9	0.7	155	2.1	(11.1)
Others	—	—	—	—	—	—
Total	9,359	100.0	(6.6)	7,272	100.0	(22.3)

Net claims paid

(Millions of yen)

Business line	Nine months ended December 31, 2017 (April 1 to December 31, 2017)			Nine months ended December 31, 2018 (April 1 to December 31, 2018)		
	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	4,897	(5.6)	61.5	4,734	(3.3)	76.7
Compulsory automobile liability insurance	176	(6.9)	101.2	170	(3.5)	109.8
Others	—	—	—	—	—	—
Total	5,073	(5.6)	62.2	4,905	(3.3)	77.4

Sonpo 24 Insurance Company Limited (Non-consolidated)

Non-consolidated Solvency Margin Ratio

(Millions of yen)

		As of March 31, 2018	As of December 31, 2018
(A) Total Non-consolidated Solvency Margin		10,063	10,227
	Capital and funds, etc.	9,562	9,998
	Reserve for price fluctuation	20	—
	Contingency reserve	—	—
	Catastrophic loss reserve	480	228
	General allowance for possible credit losses	—	—
	Unrealized gains and losses on securities, deferred gains and losses on hedges (before tax effect deductions)	0	—
	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 $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$		1,860	1,740
	Underwriting risk (R_1)	1,649	1,540
	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)	248	210
	Business management risk (R_5)	60	56
	Major catastrophe risk (R_6)	132	129
(C) Non-consolidated Solvency Margin Ratio [(A) / {(B) × 1/2}] × 100		1,081.6 %	1,175.3 %

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, 2018 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, 2018.

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

Quarterly Balance Sheet

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018	Increase (Decrease)
	Amount	Amount	
Assets:			
Cash and deposits	90,465	77,007	(13,458)
Securities:	2,594,537	2,741,872	147,334
Government bonds	1,773,257	1,836,414	63,156
Municipal bonds	61,410	59,763	(1,646)
Corporate bonds	354,833	399,058	44,224
Domestic stocks	9,233	8,081	(1,151)
Foreign securities	395,802	438,555	42,752
Loans:	39,865	41,112	1,246
Policy loans	39,865	41,112	1,246
Tangible fixed assets	1,455	1,250	(205)
Agency accounts receivable	120	120	(0)
Reinsurance accounts receivable	1,925	1,274	(651)
Other assets	53,984	51,880	(2,104)
Deferred tax assets	13,923	13,428	(494)
Allowance for possible credit losses	(48)	(59)	(11)
Total assets	2,796,230	2,927,885	131,655
Liabilities:			
Policy reserves:	2,604,810	2,730,447	125,637
Reserve for outstanding claims	41,979	43,166	1,186
Policy reserves	2,557,365	2,681,989	124,624
Reserve for dividends to policyholders	5,465	5,291	(173)
Agency accounts payable	4,506	3,126	(1,380)
Reinsurance accounts payable	963	791	(171)
Other liabilities	41,408	34,044	(7,363)
Reserve for bonus payments to directors	47	—	(47)
Reserve for retirement benefits	3,698	4,099	400
Reserves under the special laws:	6,838	7,313	475
Reserve for price fluctuation	6,838	7,313	475
Total liabilities	2,662,271	2,779,822	117,551
Net assets:			
Shareholders' equity:			
Common stock	17,250	17,250	—
Capital surplus	13,333	13,333	—
Retained earnings	65,624	79,063	13,438
Total shareholders' equity	96,207	109,646	13,438
Valuation and translation adjustments:			
Unrealized gains and losses on securities available for sale	37,750	38,416	665
Total valuation and translation adjustments	37,750	38,416	665
Total net assets	133,958	148,063	14,104
Total liabilities and net assets	2,796,230	2,927,885	131,655

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

Quarterly Statement of Income

(Millions of yen)

	Nine months ended December 31, 2017 (April 1 to December 31, 2017)	Nine months ended December 31, 2018 (April 1 to December 31, 2018)	Increase (Decrease)	Rate of change
	Amount	Amount		
				%
Ordinary income:	358,850	361,120	2,269	0.6
Insurance premiums and other:	319,655	323,578	3,923	1.2
Insurance premiums	317,059	321,527	4,467	1.4
Investment income:	37,396	36,156	(1,239)	(3.3)
Interest and dividend income and other	32,949	33,421	472	1.4
Gains on sales of securities	1,943	2,732	788	40.6
Investment gains on special account	2,503	―	(2,503)	(100.0)
Other ordinary income	1,798	1,384	(414)	(23.0)
Ordinary expenses:	343,427	338,040	(5,386)	(1.6)
Insurance claims and other:	133,559	137,633	4,073	3.1
Insurance claims	25,361	24,128	(1,233)	(4.9)
Annuity payments	9,324	8,752	(571)	(6.1)
Insurance benefits	31,542	34,557	3,014	9.6
Surrender benefits	62,904	65,457	2,552	4.1
Other refunds	1,689	2,027	338	20.0
Provision for policy reserves and other:	135,836	125,811	(10,024)	(7.4)
Provision for reserve for outstanding claims	1,752	1,186	(565)	(32.3)
Provision for policy reserves	134,083	124,624	(9,459)	(7.1)
Provision for interest portion of reserve for dividends to policyholders	0	0	(0)	(9.3)
Investment expenses:	2,385	3,878	1,493	62.6
Interest paid	74	61	(12)	(16.9)
Losses on sales of securities	1,203	2,182	979	81.4
Losses on derivatives	1,027	716	(311)	(30.3)
Investment losses on special account	―	824	824	―
Operating expenses	68,762	67,537	(1,225)	(1.8)
Other ordinary expenses	2,883	3,179	295	10.3
Ordinary profit	15,422	23,079	7,656	49.6
Extraordinary gains:	0	―	(0)	(100.0)
Gains on disposal of fixed assets and other	0	―	(0)	(100.0)
Extraordinary losses:	1,071	1,409	337	31.5
Losses on disposal of fixed assets and other	4	6	2	54.6
Provision for reserves under the special laws:	1,067	475	(591)	(55.4)
Provision for reserve for price fluctuation	1,067	475	(591)	(55.4)
Other extraordinary losses	―	926	926	―
Provision for reserve for dividends to policyholders	3,204	2,849	(354)	(11.1)
Net income before income taxes	11,147	18,820	7,673	68.8
Income taxes and deferred income taxes	3,295	5,382	2,086	63.3
Net income	7,852	13,438	5,586	71.1

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, 2018				As of December 31, 2018			
	Number		Amount		Number		Amount	
		% of previous fiscal year		% of previous fiscal year		% of previous fiscal year		% of previous fiscal year
Individual insurance	3,980	103.2	218,778	99.1	4,057	102.0	228,829	104.6
Individual annuities	63	94.9	2,479	95.9	59	93.6	2,398	96.7
Group insurance	——	——	27,846	103.1	——	——	28,408	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, 2017 (April 1 to December 31, 2017)				Nine months ended December 31, 2018 (April 1 to December 31, 2018)			
	Number		Amount		Number		Amount	
		% of previous fiscal year		% of previous fiscal year		% of previous fiscal year		% of previous fiscal year
Individual insurance	228	79.1	11,608	69.9	256	112.2	34,112	293.9
Individual annuities	—	—	—	—	—	—	—	—
Group insurance	——	——	153	95.8	——	——	158	103.5
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, 2018		As of December 31, 2018	
		% of previous fiscal year		% of previous fiscal year
Individual insurance	351,823	104.0	358,530	101.9
Individual annuities	18,645	96.3	17,351	93.1
Total	370,468	103.6	375,881	101.5
Medical and survival benefits	142,643	104.8	146,551	102.7

New policies

(Millions of yen, %)

	Nine months ended December 31, 2017 (April 1 to December 31, 2017)		Nine months ended December 31, 2018 (April 1 to December 31, 2018)	
		% of previous fiscal year		% of previous fiscal year
Individual insurance	26,564	80.9	26,867	101.1
Individual annuities	—	—	—	—
Total	26,564	80.6	26,867	101.1
Medical and survival benefits	10,133	86.5	9,642	95.2

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, 2018	As of December 31, 2018
(A) Total Non-consolidated Solvency Margin		340,108	375,426
	Capital, etc.	96,207	109,509
	Reserve for price fluctuation	6,838	7,313
	Contingency reserve	30,270	31,255
	General allowance for possible credit losses	3	11
	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)	47,188	48,020
	Unrealized gains and losses on land (85% of gain or 100% of loss)	—	—
	Excess amount of continued Zillmerized reserve	164,592	170,624
	Subordinated debt, etc.	—	—
	Excess amount of continued Zillmerized reserve and subordinated debt, etc. which are excluded from total solvency margin	(30,855)	(22,261)
	Brought in capital, etc.	—	—
	Deductions	—	—
	Others	25,862	30,952
(B) Total Non-consolidated Risks $\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$		44,952	48,765
	Underwriting risk (R_1)	13,508	14,143
	Underwriting risk for third-sector insurance products including accident, sickness and nursing-care insurance (R_8)	9,318	9,755
	Guaranteed interest rate risk (R_2)	8,430	8,435
	Guaranteed minimum benefit risk (R_7)	379	386
	Investment risk (R_3)	28,512	32,188
	Business management risk (R_4)	1,202	1,298
(C) Non-consolidated Solvency Margin Ratio [(A) / {(B) × 1/2}] × 100		1,513.1 %	1,539.7 %

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.