



**SOMPO  
HOLDINGS**

Innovation for Wellbeing

# Highlights of FY2016 Results

May 19, 2017

Sompo Holdings, Inc.



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# Highlights of FY2016 Results

◆ As the reviewed business forecast for FY2016 announced on May 8, 2017, consolidated ordinary profit improved by ¥24.8 billion to ¥241.7 billion, and consolidated net income improved by ¥6.8 billion to ¥164.4 billion.

- Sompo Japan Nipponkoa saw underwriting profit improved by ¥34.1 billion to ¥112.4 billion due to improvement by 1.0 points of combined ratio (excluding CALI and household earthquake) in line with a improved loss ratio. Investment profit also rose by ¥23.8 billion to ¥132.3 billion mainly owing to greater than planned reduction of strategic–holding stocks (on fair value basis: ¥104.2 billion).
- Himawari Life generated net income of ¥8.3 billion, despite of the impact of upfront investments (¥4.7 billion), etc. \*Adjusted profit achieved ¥29.1 billion surpassing initial plan (¥23.0 billion)
- In the nursing care business, the inflow of residents shifted to an increasing trend in step with progress and the impact of measures to strengthening internal management.  
\*Occupancy rate improved by 2.8 points to 83.7%\*<sup>1</sup>.
- The bottom-line of overseas business achieved ¥19.9 billion surpassing initial plan (¥15.0 billion).
- Management approved increase in dividend per share for the fourth consecutive year (including FY2017 forecast) and share buyback of ¥56.2 billion.  
\*Total payout ratio was 50%. Total shareholder return yield was 5.7%\*<sup>2</sup>.



\*1 The sum of SOMPO Care Message and SOMPO Care Next  
\*2 Calculated with stock price as of the end of March 2017

# 1. Trend of business results

2. Domestic P&C insurance

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3. Domestic life insurance

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4. Nursing care & healthcare, etc.

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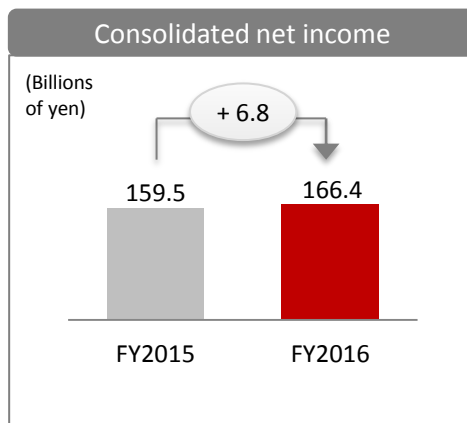
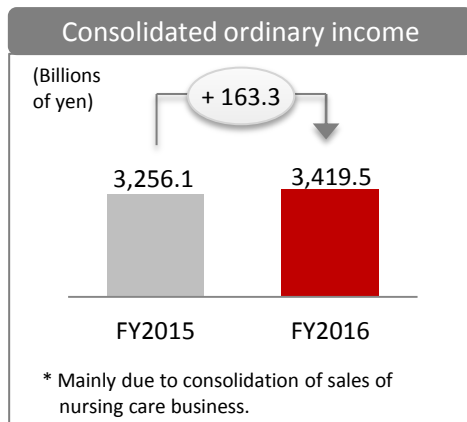
5. Overseas insurance

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6. ERM & asset management

## Overview of FY2016 Results – Consolidated Basis

- ◆ Because of improvement of profitability in domestic P&C insurance business, consolidated ordinary profit increased by ¥24.8 billion to ¥241.7 billion, and consolidated net income increased by ¥6.8 billion to ¥166.4 billion.



(Billions of yen)	FY2015	FY2016	Change
Consolidated ordinary income	3,256.1	3,419.5	+ 163.3(+ 5.0%)
Net premiums written (P&C)	2,552.1	2,550.3	-1.8(- 0.1%)
Life insurance premiums	297.6	323.8	+ 26.1(+ 8.8%)
Consolidated ordinary profit	216.8	241.7	+ 24.8
Sompo Japan Nipponkoa	178.0	230.4	+ 52.3
Himawari Life	18.2	12.9	-5.3
Overseas insurance subsidiaries	23.7	22.7	-1.0
Consolidated adjustment*1/Others	-3.2	-24.4	-21.1
Consolidated net income*2	159.5	166.4	+ 6.8
Sompo Japan Nipponkoa	126.2	164.4	+ 38.1
Himawari Life	11.6	8.3	-3.2
Overseas insurance subsidiaries	20.5	19.5	-0.9
Consolidated adjustment*1/Others	1.1	-25.8	-27.0
(Reference ) Adjusted profit (by business)	164.3	183.2	+ 18.9
Domestic P&C insurance	111.9	134.9	+ 22.9
Domestic life insurance	30.4	29.1	-1.2
Nursing care & healthcare, etc.	1.5	-0.7	-2.2
Overseas insurance	20.4	19.9	-0.4

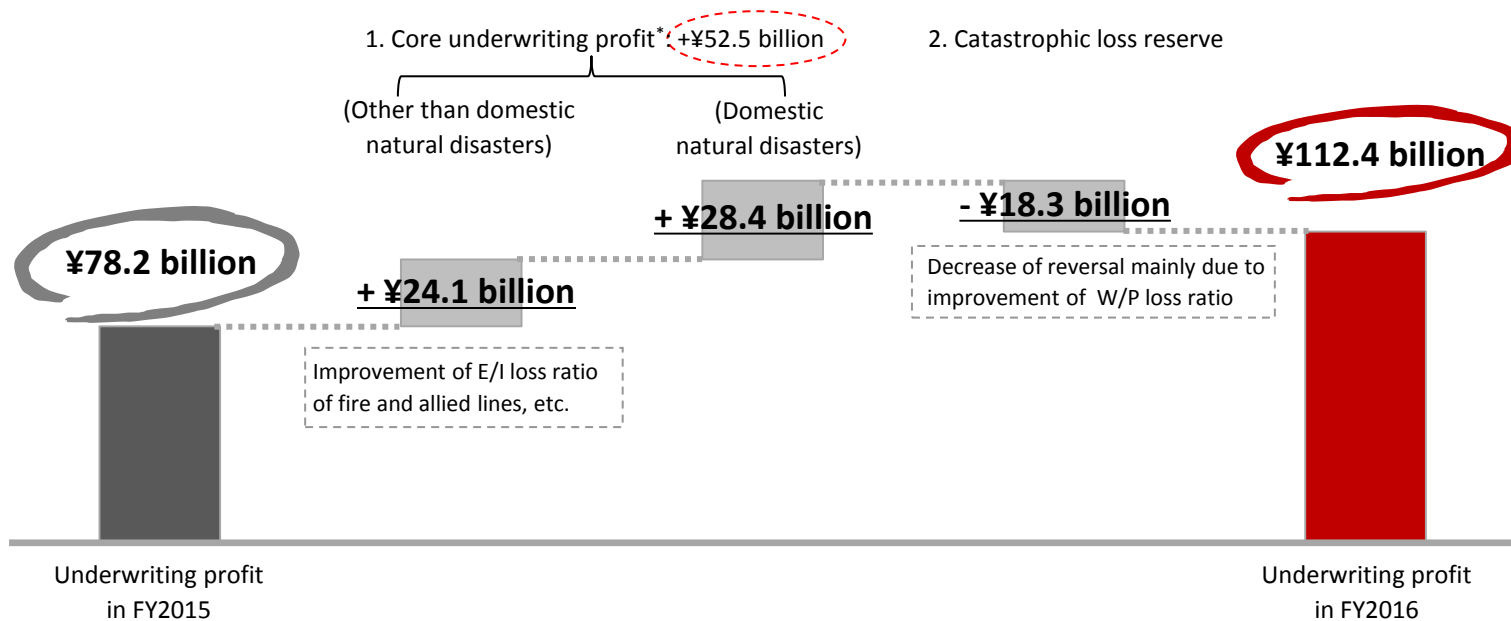
\*1 "Purchase method" accounting was adopted upon the establishment of Sompo Holdings. In the consolidated accounts of the holdings, assets and liabilities of the former Nipponkoa and some group companies were acquired and carried on the balance sheet at fair value at the time of business integration. (This gave rise to a difference between the carrying amount in the non-consolidated accounts of Sompo Japan Nipponkoa and some group companies, and the carrying amount in consolidated accounts of the holdings.) Therefore, realized gains/losses, etc. of Sompo Japan Nipponkoa must be adjusted, and this adjustment is included in the above "consolidated adjustment."

\*2 Consolidated net income denotes net income (loss) attributable to shareholders of the parent. (The same shall apply hereafter.)

# Main Points of Consolidated Results – (1) Underwriting Profit

◆ Underwriting profit increased by ¥34.1 billion to ¥112.4 billion mainly due to improvement of core underwriting profit.

## Changing factors of underwriting profit (Sompo Japan Nipponkoa)



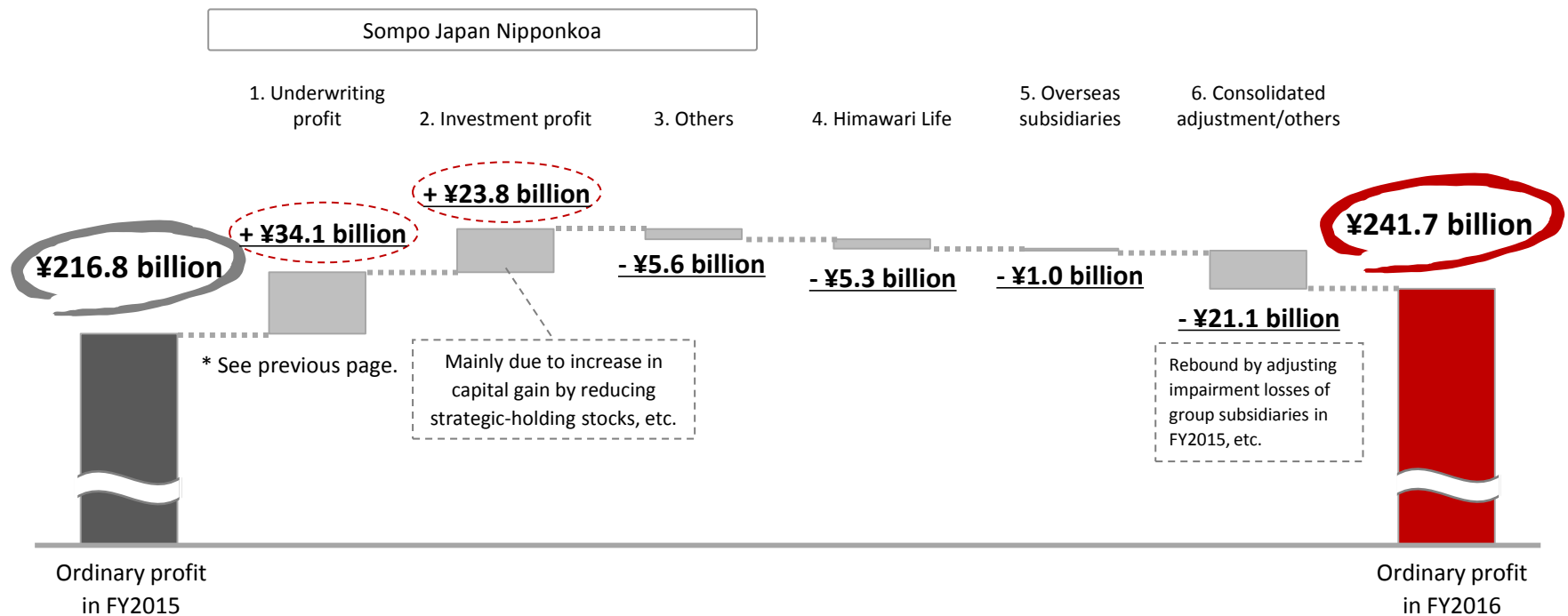
	1. Core underwriting profit		2. Catastrophic loss reserve	Underwriting profit
	(Other than domestic natural disasters)	(Domestic natural disasters)		
FY2015 Actual	¥160.0 billion	- ¥84.2 billion	¥2.5 billion	¥78.2 billion
<b>FY2016 Actual</b>	<b>¥184.1 billion</b>	<b>- ¥55.8 billion</b>	<b>- ¥15.8 billion</b>	<b>¥112.4 billion</b>

\* Core underwriting profit is underwriting profit less the impact related to catastrophic loss reserve.

## Main Points of Consolidated Results – (2) Ordinary Profit

- ◆ Consolidated ordinary profit increased by ¥24.8 billion to ¥241.7 billion mainly due to steady progress of both underwriting profit and investment profit.

### Changing factors of consolidated ordinary profit

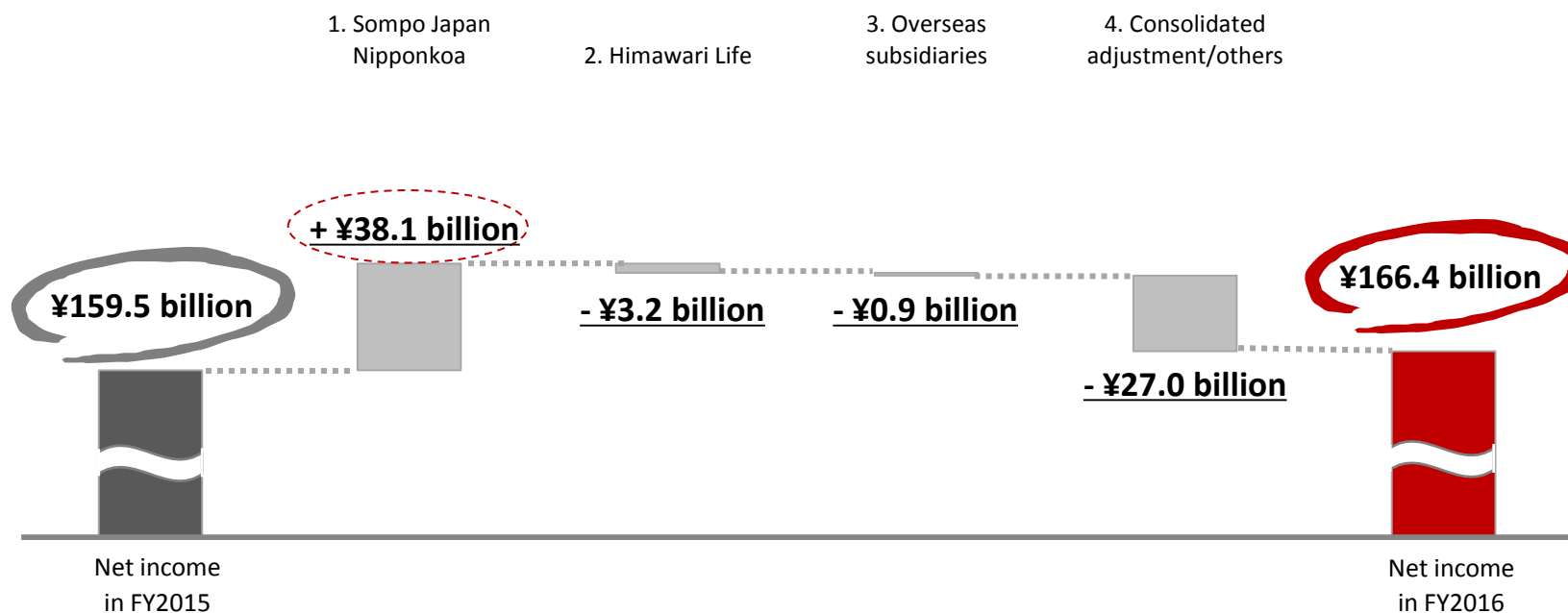


	1. Underwriting profit	2. Investment profit	3. Others	4. Himawari Life	5. Overseas subsidiaries	6. Consolidated adjustment/others	Ordinary profit
FY2015 Actual	¥78.2 billion	¥108.5 billion	- ¥8.7 billion	¥18.2 billion	¥23.7 billion	- ¥3.2 billion	¥216.8 billion
FY2016 Actual	¥112.4 billion	¥132.3 billion	- ¥14.3 billion	¥12.9 billion	¥22.7 billion	- ¥24.4 billion	¥241.7 billion

## Main Points of Consolidated Results – (3) Net Income

- ◆ Consolidated net income increased by ¥6.8 billion to ¥166.4 billion mainly due to growth of profit in Domestic P&C insurance business.

### Changing factors of consolidated net income



	1. Somo Japan Nipponkoa	2. Himawari Life	3. Overseas subsidiaries	4. Consolidated adjustment/others	Net income
FY2015 Actual	¥126.2 billion	¥11.6 billion	¥20.5 billion	¥1.1 billion	¥159.5 billion
FY2016 Actual	¥164.4 billion	¥8.3 billion	¥19.5 billion	- ¥25.8 billion	¥166.4 billion



## Business Forecasts for FY2017 – Consolidated Basis

- ◆ Consolidated ordinary profit is expected to increase by ¥17.2 billion to ¥259.0 billion, and consolidated net income is expected to increase by ¥16.5 billion to ¥183.0 billion.

(Billions of yen)	FY2016 (Actual)	FY2017 (Forecast)	Change
Net premiums written (P&C)	2,550.3	2,908.0	+ 357.6(+ 14.0%)
Life insurance premiums	323.8	339.0	+ 15.1(+ 4.7%)
Consolidated ordinary profit	241.7	259.0	+ 17.2
Sompo Japan Nipponkoa	230.4	227.0	- 3.4
Himawari Life	12.9	10.0	- 2.9
Nursing care (SOMPO Care Message and Care Next)	-1.2	2.9	+ 4.1
Overseas subsidiaries	22.7	59.4	+ 36.7
Consolidated adjustment*/others	-23.1	-40.3	- 17.2
Consolidated net income	166.4	183.0	+ 16.5
Sompo Japan Nipponkoa	164.4	157.0	- 7.4
Himawari Life	8.3	6.0	- 2.3
Nursing care (SOMPO Care Message and Care Next)	-2.9	2.0	+ 4.9
Overseas subsidiaries	19.5	50.5	+31.0
Consolidated adjustment*/others	-22.9	-32.5	- 9.6
(Reference ) Adjusted profit (by business)	183.2	205.0	+ 21.7
Domestic P&C insurance	134.9	114.9	- 20.0
Domestic life insurance	29.1	28.0	- 1.1
Nursing care & healthcare, etc.	-0.7	3.4	+ 4.1
Overseas insurance	19.9	58.4	+ 38.4

## Main Points of Business Forecasts for FY2017

- ◆ Both sales and profit are expected to improve mainly due to Sompo International (Endurance)\* profit contribution.
- ◆ Consolidated ordinary profit is expected to improve by ¥17.2 billion to ¥259.0 billion, and consolidated net income plans to improve by ¥16.5 billion to ¥183.0 billion.
- ◆ Adjusted consolidated profit as funds of shareholder return is expected to improve by ¥21.7 billion to ¥205.0 billion.

### Domestic P&C insurance

(Sompo Japan Nipponkoa)

- Net premium written will grow centered on voluntary automobile and other line. (In all lines, increase by ¥39.8 billion.)
- Combined ratio (excluding CALI and household earthquake) will improve by 0.4 points to 93.1%.
- Strategic-holding stocks of around ¥100.0 billion on fair value basis will be reduced.

### Domestic life insurance

- Net income is expected to be ¥6.0 billion (- ¥2.3 billion) while domestic life insurance business plans to grow steadily.
- Main reason is increase in provision of policy reserve in connection with the revision of standard yield rate (postponed to revise mainstay medical insurance, etc.).

### Nursing care and healthcare

- Net income will improve by ¥4.9 billion to ¥2.0 billion and become profitable, reflecting an improved occupancy rate as well as the accomplishment of various measures.
- We keep accelerating measures to increase top-line and reduce costs further.

### Overseas insurance

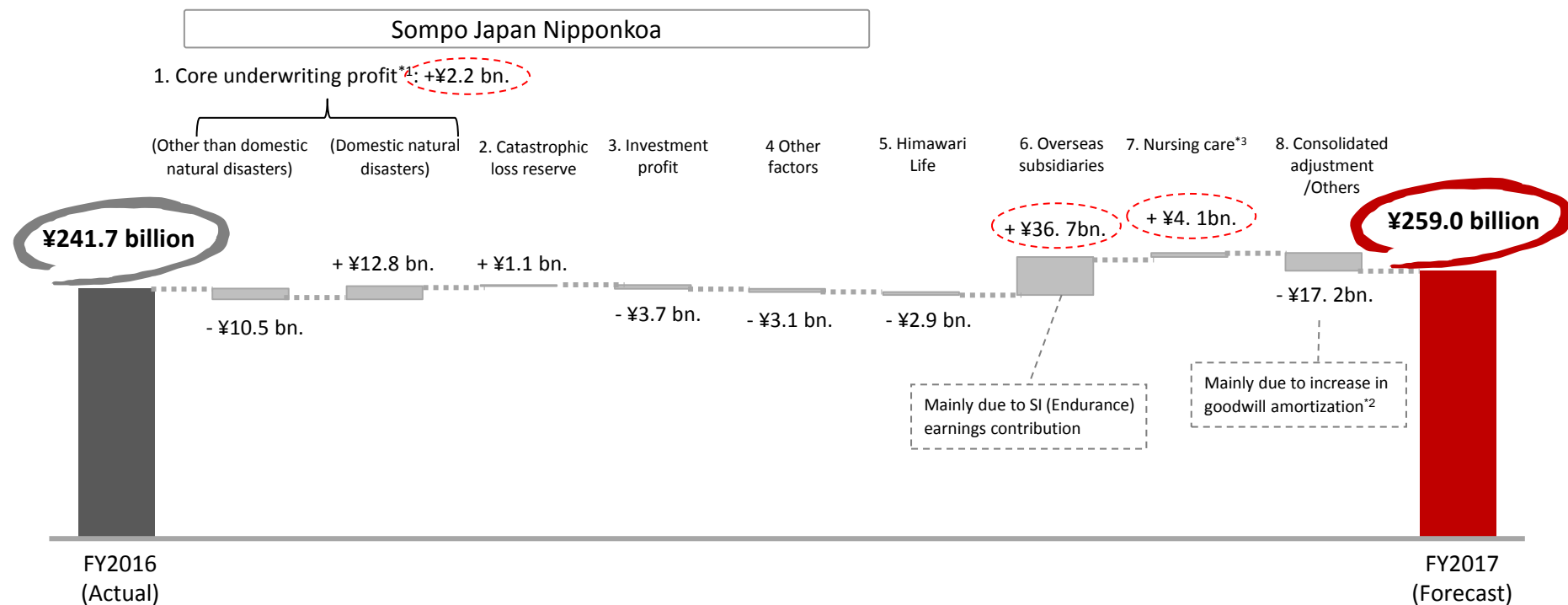
- Adjusted profit is projected to improve by ¥38.4 billion to ¥58.4 billion mainly due to the start of Sompo International (Endurance)\* profit contribution.



\* After the acquisition completion on 28 March 2017, the brand name of Endurance was changed to Sompo International. The name is shown as SI (Endurance) hereafter.

# (Reference ) Breakdown of Business Forecasts for FY2017

## Main components of consolidated ordinary profit



	1. Core underwriting profit		2. Catastrophic loss reserve	3. Investment profit	4. Other factors	5. Himawari Life	6. Overseas subsidiaries	7. Nursing care	8. Consolidated adjustment /Others	Ordinary profit
	(Other than domestic natural disasters)	(Domestic natural disasters)								
FY2016 Actual	¥184.1 bn.	-¥55.8 bn.	-¥15.8 bn.	¥132.3 bn.	-¥14.3 bn.	¥12.9 bn.	¥22.7 bn.	-¥1.2 bn.	-¥23.1 bn.	¥241.7 bn.
FY2017 Forecast	¥173.6 bn.	-¥43.0 bn.	-¥14.7 bn.	¥128.6 bn.	-¥17.5 bn.	¥10.0 bn.	¥59.4 bn.	¥2.9 bn.	-¥40.3 bn.	¥259.0 bn.

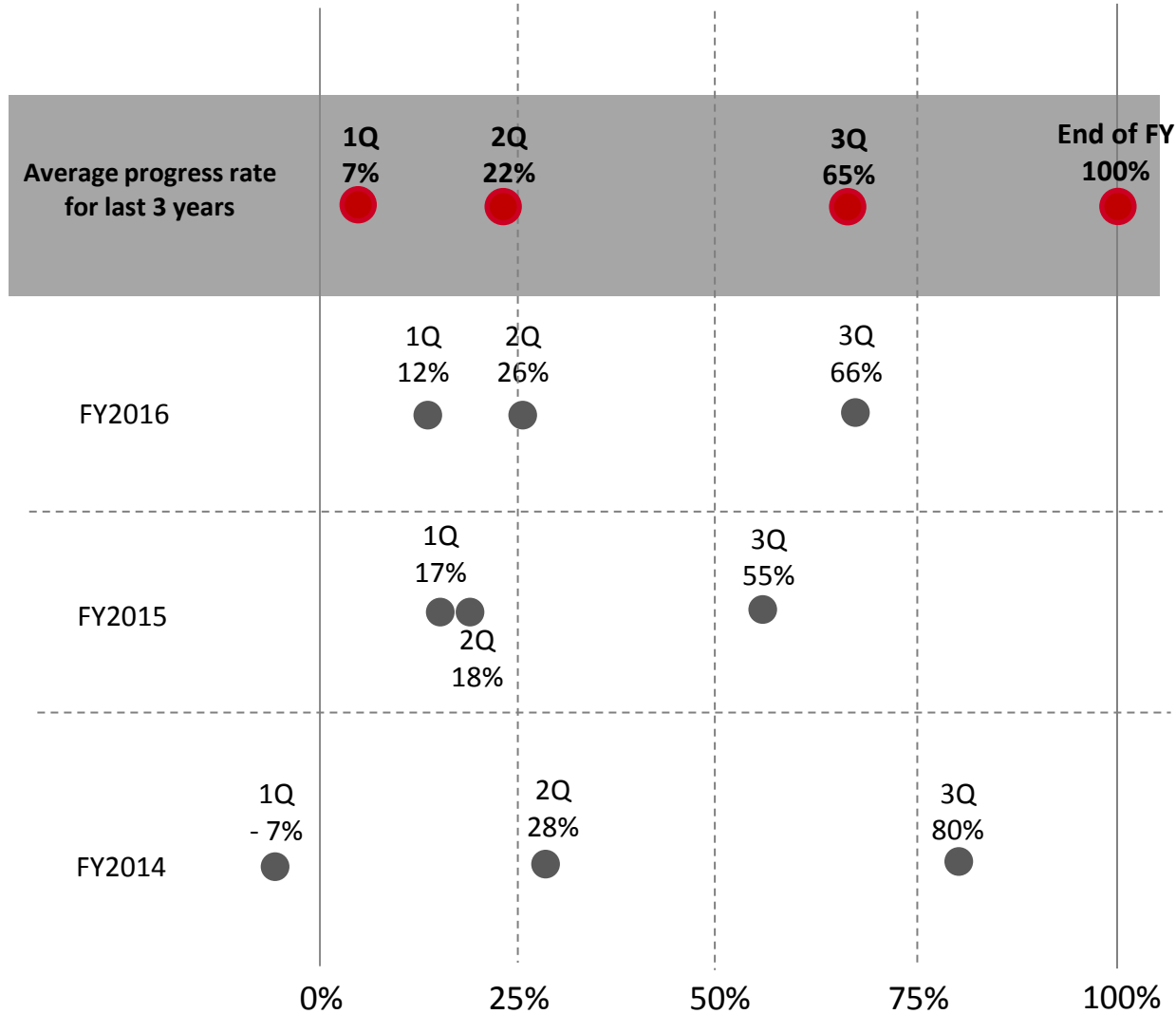
\*1 Core underwriting profit is underwriting profit less the impact related to catastrophic loss reserve.

\*2 The goodwill for the SI (Endurance) acquisition is \$1,513 million. Combined with intangible assets, the net amortization amount is around \$2,000 million. The amortization period for the goodwill is 10 years, and the amortization period for Intangible asset has been set appropriately. The total annual amortization costs is around \$200 million. (Projected at \$164 million(¥18.4 billion) for FY2017).

\*3 The sum of SOMPO Care Message and SOMPO Care Next

# (Reference ) Past Progress of Quarterly Results

Progress in each quarter (consolidated net income)



## (Reference) Numerical Management Targets, etc.

### Numerical management targets

(Billions of yen)	FY2015	FY2016	FY2017	FY2018(Plan)
	(Actual)	(Actual)	(Forecast)	Reviewed and Announced on November 2016
Domestic P&C insurance* <sup>1</sup>	111.9	134.9	114.9	Over 120.0
Domestic life insurance	30.4	29.1	28.0	Over 32.0
Nursing care & healthcare, etc.	1.5	-0.7	3.4	Over 8.0
Overseas insurance	20.4	19.9	58.4	Over 60.0
<b>Total (Adjusted consolidated profit)</b>	<b>164.3</b>	<b>183.2</b>	<b>205.0</b>	<b>220.0 – 230.0</b>
<b>Adjusted consolidated ROE*<sup>2</sup></b>	<b>6.9%</b>	<b>7.6%</b>	<b>8.1%</b>	<b>Over 8%</b>
(Reference) ROE (J-GAAP)	9.2%	9.7%	10.1%	Around 10% level

### Definition of adjusted profit

#### Domestic P&C insurance

Net income  
 + Provisions for catastrophic loss reserve (after tax)  
 + Provisions for reserve for price fluctuation (after tax)  
 – Gains/losses on sales of securities and impairment losses on securities (after tax)  
 – Special factors (e.g. dividend from subsidiaries)

#### Domestic life insurance

Net income  
 + Provision of contingency reserve (after tax)  
 + Provision of reserve for price fluctuation (after tax)  
 + Adjustment of underwriting reserve (after tax)  
 + Deferral of acquisition cost (after tax)  
 – Depreciation of acquisition cost (after tax)

#### Nursing care & healthcare, etc.

Net income

#### Overseas insurance

Net income  
 (including major non-consolidated subsidiaries)  
 Adjusted profit of SI (Endurance) is operating income\*<sup>3</sup>

\*1 Total of Sampo Japan Nipponkoa, Saison Automobile & Fire, Sonpo 24, Sampo Japan Nipponkoa Insurance Services, DC Securities and Sampo Risk Management & Healthcare (from FY2017)

\*2 Adjusted consolidated ROE = Adjusted consolidated profit / Adjusted consolidated net assets (The denominator is the average balance at the end/start of each fiscal year.)

Adjusted consolidated net assets = Consolidated net assets (excluding life insurance subsidiary's net assets) + Catastrophic loss reserve in domestic P&C insurance (after tax)

+ Reserve for price fluctuation in domestic P&C insurance (after tax) + Domestic life insurance adjusted net assets

Domestic life insurance net assets = Net assets (J-GAAP, after tax) + Contingency reserve (after tax) + Reserve for price fluctuation (after tax)

+ Adjustment of underwriting reserve (after tax) + Non-depreciated acquisition cost (after tax)

\*3 Adjusted profit of SI (Endurance) is defined as operating income, which excludes one-time factors (operating income = net income - net foreign exchange gains/losses

- net realized and unrealized gains/ losses - net impairment losses recognized in earnings, etc.)

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1. Trend of business results

2. Domestic P&C insurance

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4. Nursing care & healthcare, etc.

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5. Overseas insurance

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6. ERM & asset management

## Overview of FY2016 Results – Sompo Japan Nipponkoa

- ◆ Both Underwriting profit and investment profit improved.  
Net income increased by ¥38.1 billion to ¥164.4 billion.

(Billions of yen)	FY2015	FY2016	Change
Net premiums written	2,218.4	2,165.6	- 52.7 (- 2.4%)
(excl. CALI, household earthquake)	1,910.8	1,869.5	- 41.3 (- 2.2%)
Loss ratio	63.7%	63.2%	- 0.5pt
(excl. CALI, household earthquake)	61.1%	59.8%	- 1.3pt
E/I loss ratio (excl. CALI, household earthquake)	61.6%	59.5%	- 2.1pt
Net expense ratio	31.6%	32.0%	+ 0.4pt
(excl. CALI, household earthquake)	33.4%	33.7%	+ 0.3pt
Combined ratio	95.3%	95.2%	- 0.1pt
(excl. CALI, household earthquake)	94.5%	93.5%	- 1.0pt
Underwriting profit	78.2	112.4	+ 34.1
Investment profit	108.5	132.3	+ 23.8
Ordinary profit	178.0	230.4	+ 52.3
Net income	126.2	164.4	+ 38.1
(Reference) Adjusted profit			
+ Provisions for catastrophic loss reserve (after tax)	- 1.7	11.4	+ 13.1
+ Provisions for reserve for price fluctuation (after tax)	5.7	7.5	+ 1.8
- Gains/losses on sales of securities and impairment losses on securities (after tax)	22.6	49.8	+ 27.2
- Special factors (after tax)*	- 8.5	- 5.0	+ 3.5
Adjusted profit	116.1	138.5	+ 22.3

Mainly due to rebound of front-loaded demand in fire and allied lines according to product revision in FY2015

\* Special factors are gains /losses related to stock future, etc.

## Net Premiums Written

- ◆ Net premiums written decreased in fire and allied lines according to product revision in FY2015, but kept on increasing trend in mainstay voluntary automobile and other line.

### Net premiums written by product line

(Billions of yen)	FY2015	FY2016	Change		FY2017 (Forecast)	
Fire and Allied Lines	330.6	285.3	- 45.2	(- 13.7%)	291.6	+ 6.2
Marine	51.2	43.9	- 7.2	(- 14.1%)	42.9	- 1.0
Personal Accident	184.2	181.7	- 2.4	(- 1.3%)	186.0	+ 4.2
Voluntary Automobile	1,070.1	1,077.7	+ 7.5	(+ 0.7%)	1,095.3	+ 17.6
CALI	306.5	295.2	- 11.3	(- 3.7%)	286.5	- 8.6
Other	275.6	281.5	+ 5.9	(+ 2.2%)	302.8	+ 21.2
of which, Liability	155.2	153.7	- 1.5	(- 1.0%)	162.0	+ 8.3
<b>Total</b>	<b>2,218.4</b>	<b>2,165.6</b>	<b>- 52.7</b>	<b>(- 2.4%)</b>	<b>2,205.4</b>	<b>+ 39.8</b>
Total (excl. CALI, household earthquake)	1,910.8	1,869.5	- 41.3	(- 2.2%)	1,917.9	+ 48.3

#### (Main changing factors of FY2016)

Fire and Allied Lines: Impact of rebound of front-loaded demand ahead of product revision in October 2015, etc.  
(Abolition of long-term policies of over 10 years, and revision of premium rate)

Marine: Mainly due to strong yen over the term and decrease in trade volume, etc.

Voluntary Automobile: Increased due to the impact of product and rate revisions and initiatives to raise unit premium.

Other: Strong sales of packaged products to small and medium-sized enterprises.

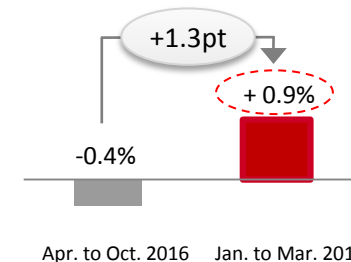
(Reference) Year-on-Year comparison of voluntary automobile insurance (April 2016 - March 2017)

	# of vehicles	Unit premium	Total Premium
Non-Fleet	- 0.1%	+ 0.4%	+ 0.4%
Fleet	+ 0.8%	- 0.1%	+ 0.7%
Total	+ 0.1%	+ 0.3%	+ 0.4%

\*Performance evaluation basis

<Trends of the number of Non-Fleet vehicles>

On increasing trend, after product revision in January 2017.

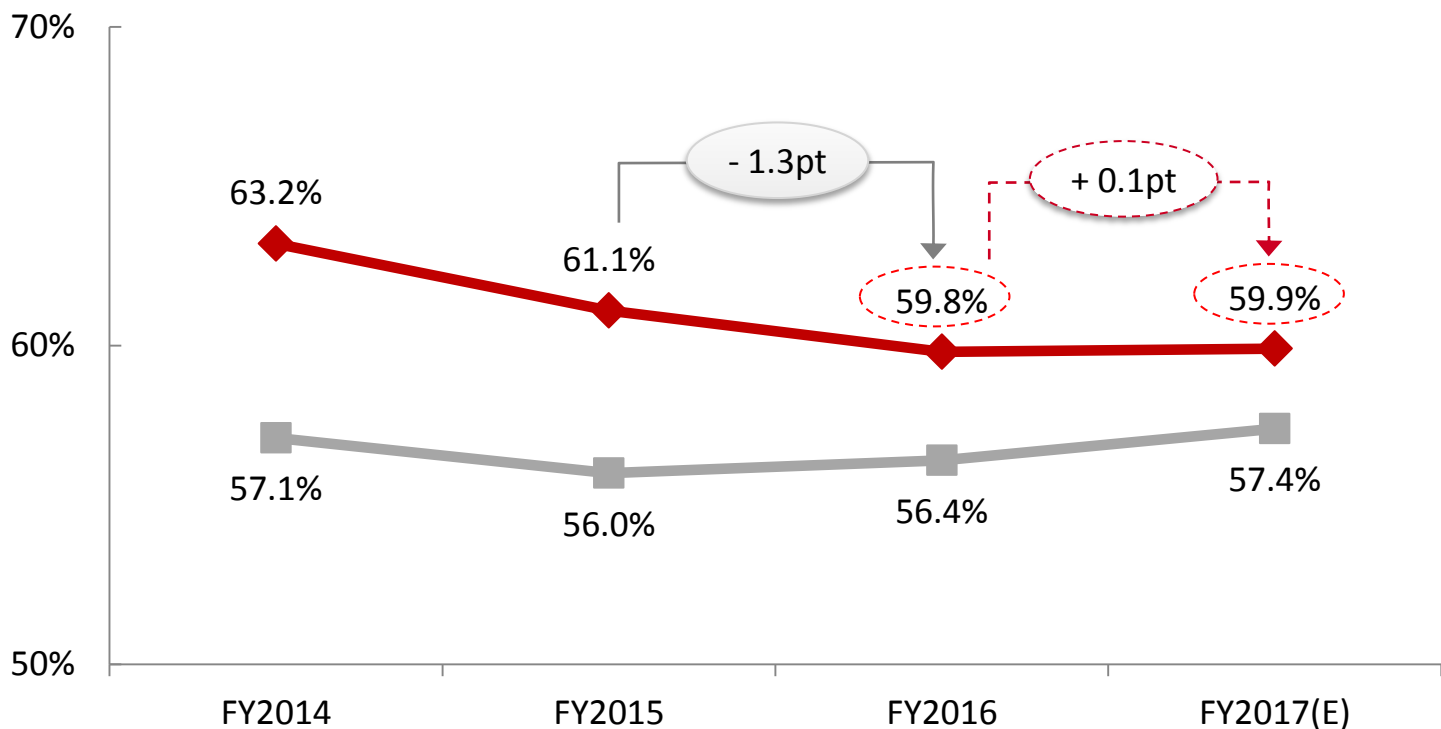




## Loss Ratio (W/P)

- ◆ In FY2016, loss ratio improved by 1.3 points due to decrease of domestic natural disasters, etc.
- ◆ In FY2017, loss ratio is expected to stay on lower level below 60%.

### W/P loss ratio (excl. CALI, household earthquake)



◆ Loss Ratio (excl. CALI, household earthquake)

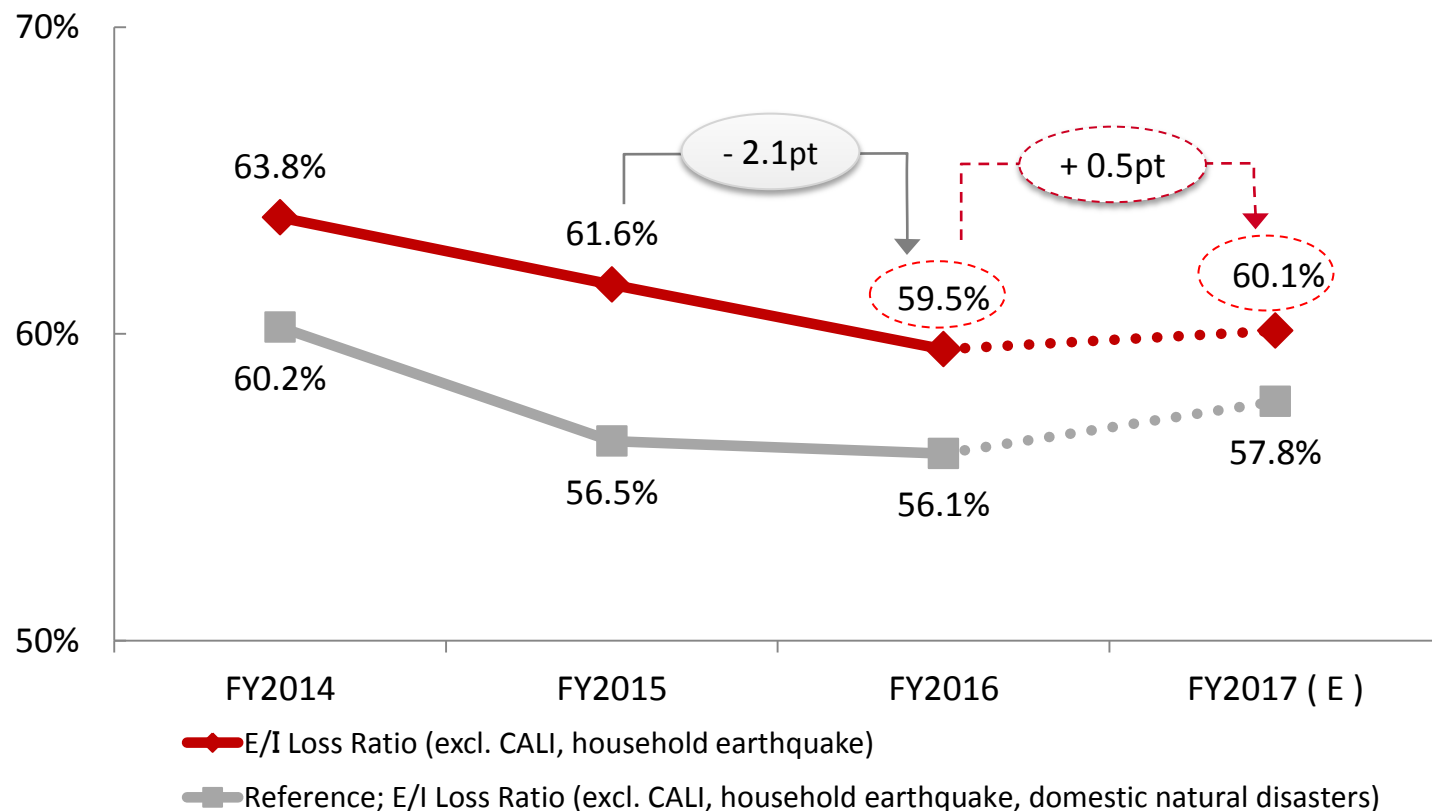
■ Reference; Loss Ratio (excl. CALI, household earthquake, domestic natural disasters)

\* Loss ratio is on a written paid basis (including loss adjustment expense)

## Loss Ratio (E/I)

- ◆ In FY2016, loss ratio improved by 2.1 points mainly in fire and allied lines due to decrease of domestic natural disasters.
- ◆ In FY2017, loss ratio is expected to stay on lower level around 60%.

### E/I loss ratio (excl. CALI, household earthquake)

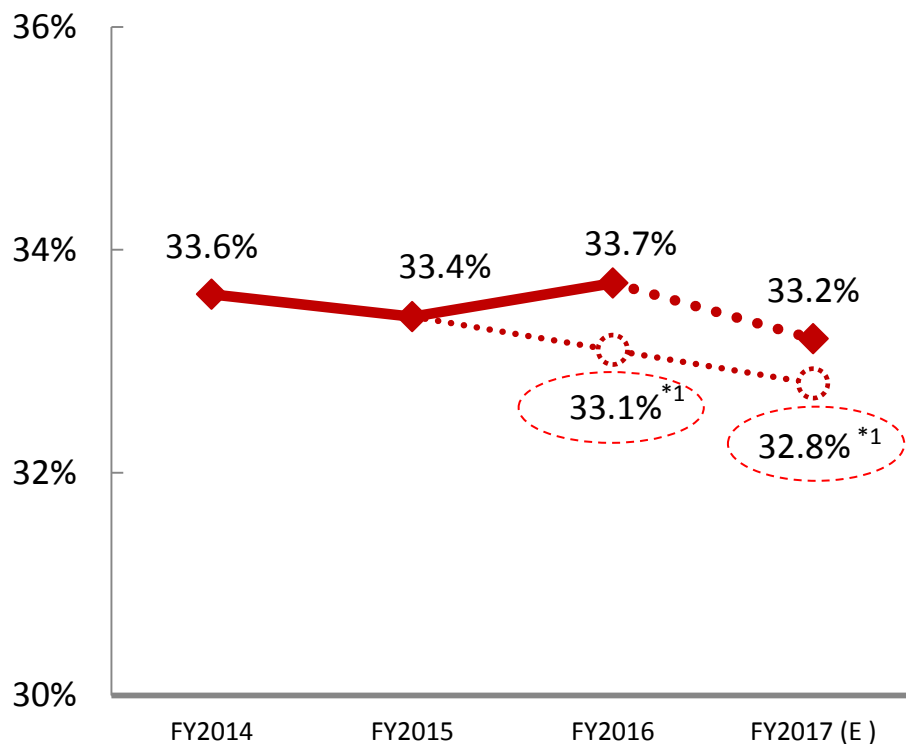


\* Loss ratio includes loss adjustment expense.

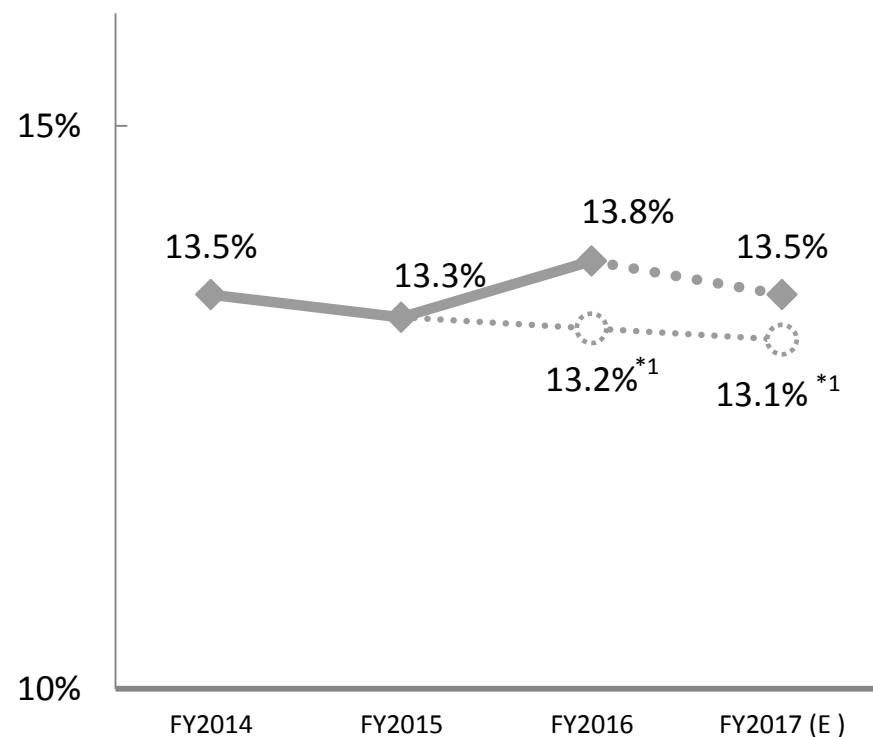
# Net Expense Ratio

◆ Made upfront investments to achieve future growth as planned and controlled expense appropriately.

### Net expense ratio (excl. CALI, household earthquake)



### Company expense ratio\*2 (excl. CALI, household earthquake)



\*1 Excluding upfront investments (the amount of upfront investments for the entire line item : In FY2016, ¥14.7 billion. In FY2017(forecast), around ¥10.0 billion)

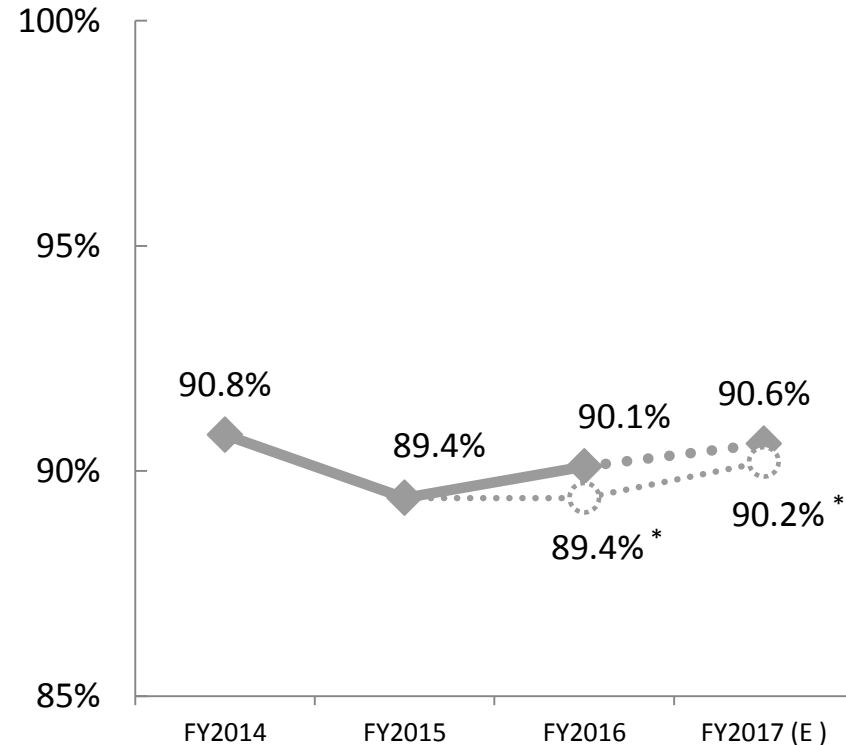
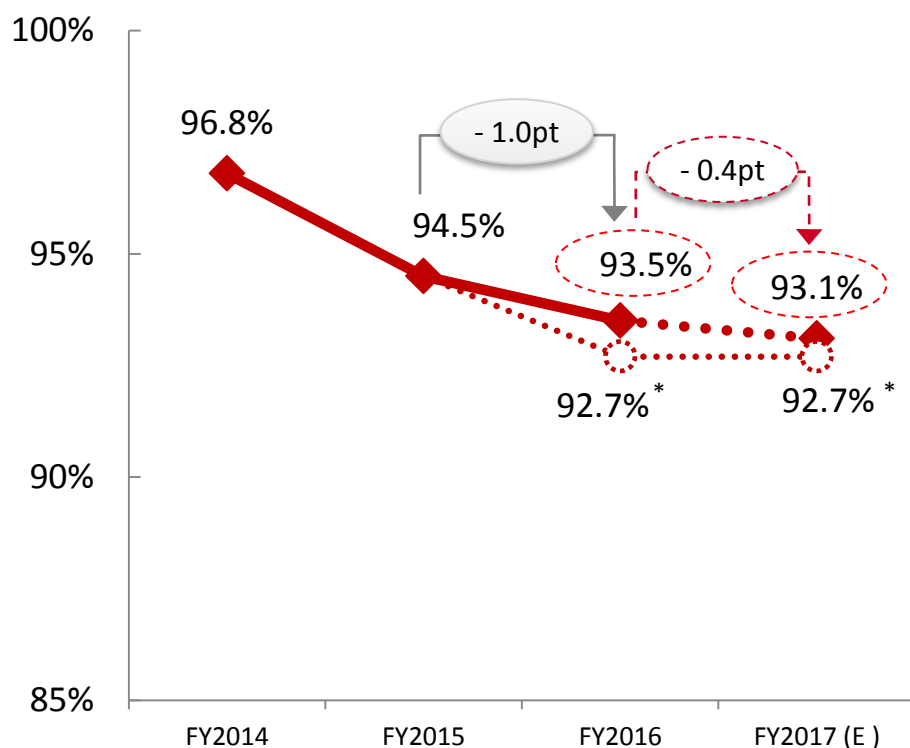
\*2 Ratio of general administrative and selling expense related with underwriting to net premium written

# Combined Ratio

- ◆ In FY2016, combined ratio improved by 1.0 points to 93.5%.
- ◆ In FY2017, combined ratio will stay on favorable level with appropriate control of expense, etc.

## Combined ratio (excl. CALI, household earthquake)

## (Reference) excl. CALI, household earthquake, domestic natural disasters



## Investment Profit

- ◆ In FY2016, investment profit improved mainly due to favorable market environment and exposure of strategic-holding stocks was also reduced surpassing initial plan (around ¥100.0 billion).
- ◆ In FY2017, investment income is expected to be ¥128.6 billion. We will steadily reduce strategic-holding stocks by around ¥100.0 billion.

### Investment profit (Sompo Japan Nipponkoa, non-consolidated)

(Billions of yen)		FY2015	FY2016	Change	FY2017 (Forecast)	Change	
Net interest and dividend income	1	64.0	73.1	+ 9.0	73.6	+ 0.5	
Interest and dividend income* <sup>1</sup>		109.9	114.8	+ 4.9	113.4	- 1.4	
of which, ones of dividend from overseas subsidiaries		0.7	0.9	+ 0.2	16.1	+ 15.2	dividend from SI (Endurance)
Gains on sales of securities* <sup>1</sup>	2	60.5	71.0	+ 10.5	69.3	- 1.7	Reduction of strategic-holding stocks * <sup>2</sup> <b>¥104.2 bn.</b>
of which, ones of domestic stocks		50.7	74.9	+ 24.1	66.9	- 7.9	* <sup>2</sup> Net reduction on fair value basis
Impairment losses on securities* <sup>1</sup>	3	- 28.7	- 1.6	+ 27.1	- 13.9	- 12.2	
of which, ones of domestic stocks		- 21.4	- 0.5	+ 20.8	- 13.9	- 13.3	
Gains on derivatives	4	5.6	- 16.2	- 21.8	- 4.0	+ 12.1	
Other investment income	5	6.9	5.9	- 0.9	3.5	- 2.4	
Investment profit	1+2+3+4+5	108.5	132.3	+ 23.8	128.6	- 3.7	

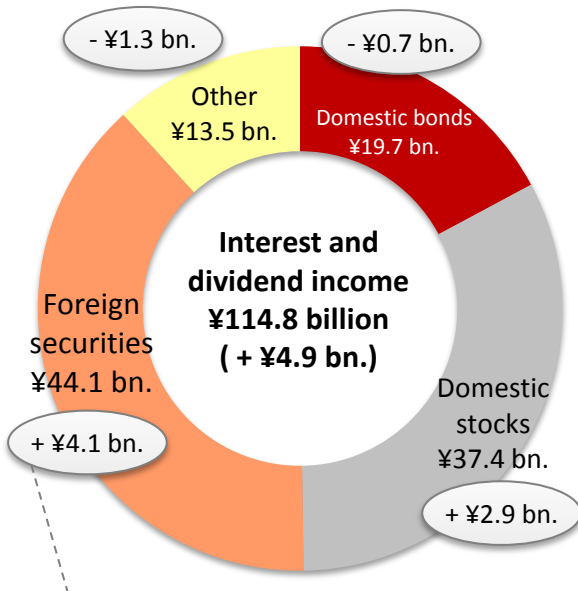
\*1 See next page for breakdown

Mainly gains and losses on stock future and on forward exchange contract

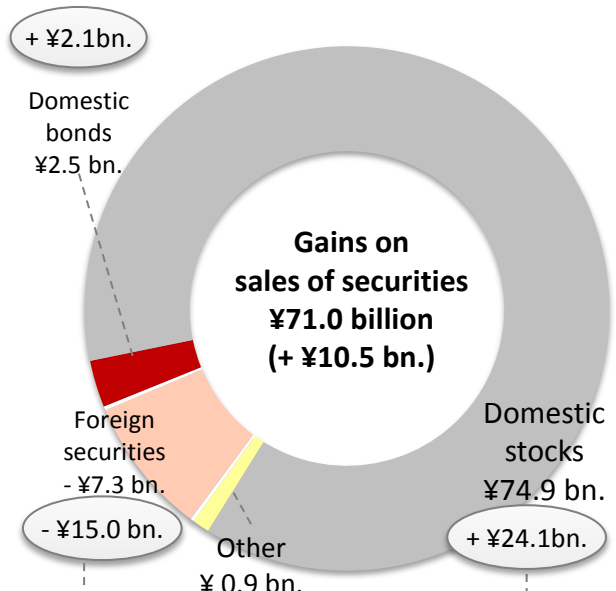
# (Reference) Breakdown of Investment Profit

## Breakdown of interest and dividend income, gains on sales of securities, and impairment losses on securities (FY2016)

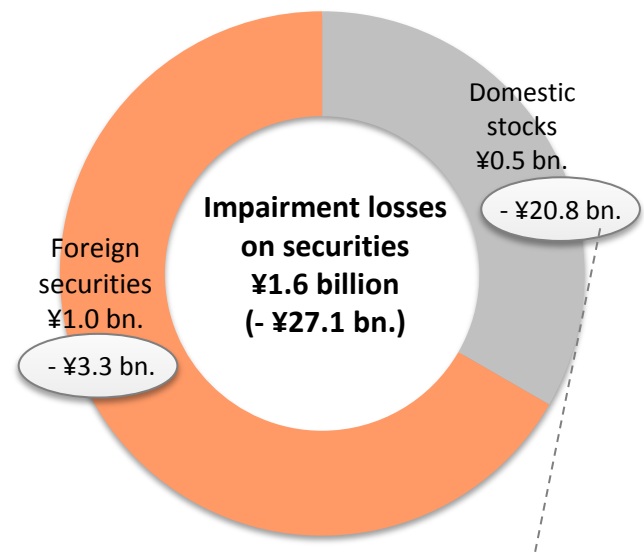
(Billions of yen)



Mainly due to increase in dividend income of foreign stocks



Mainly due to rebound of realized gains in FY2015 and realized losses in connection with portfolio reshaping



Due to Rebound of impairment losses of group subsidiaries in FY2015

○ Changes from FY2015

## (Reference) Business Forecasts for FY2017– Sompo Japan Nipponkoa

(Billions of yen)	FY2016 (Actual)	FY2017 (Forecast)	Change
Net premiums written	2,165.6	2,205.4	+ 39.8 (+ 1.8%)
(excl. CALI, household earthquake)	1,869.5	1,917.9	+ 48.3 (+ 2.6%)
Loss ratio	63.2%	63.1%	- 0.1pt
(excl. CALI, household earthquake)	59.8%	59.9%	+ 0.1pt
E/I loss ratio (excl. CALI, household earthquake)	59.5%	60.1%	+ 0.5pt
Net expense ratio	32.0%	31.7%	- 0.2pt
(excl. CALI, household earthquake)	33.7%	33.2%	- 0.5pt
Combined ratio	95.2%	94.8%	- 0.3pt
(excl. CALI, household earthquake)	93.5%	93.1%	- 0.4pt
Underwriting profit	112.4	115.8	+ 3.3 (+ 3.0%)
Investment profit	132.3	128.6	- 3.7 (- 2.8%)
Ordinary profit	230.4	227.0	- 3.4 (- 1.5%)
Net income	164.4	157.0	- 7.4 (- 4.5%)
+Provisions for catastrophic loss reserve (after tax)	11.4	10.5	- 0.8
+Provisions for reserve for price fluctuation (after tax)	7.5	7.5	- 0.0
-Gains/losses on sales of securities and impairment losses on securities (after tax)	49.8	39.8	- 10.0
-Special factors (after tax)*	- 5.0	15.9	+ 21.0
Adjusted profit	138.5	119.3	- 19.2 (- 13.9%)

(Reference)  
Adjusted  
profit

\* Special factors are impact of corporate income tax reduction, etc.

## (Reference) Assumption of Business Forecasts for FY2017

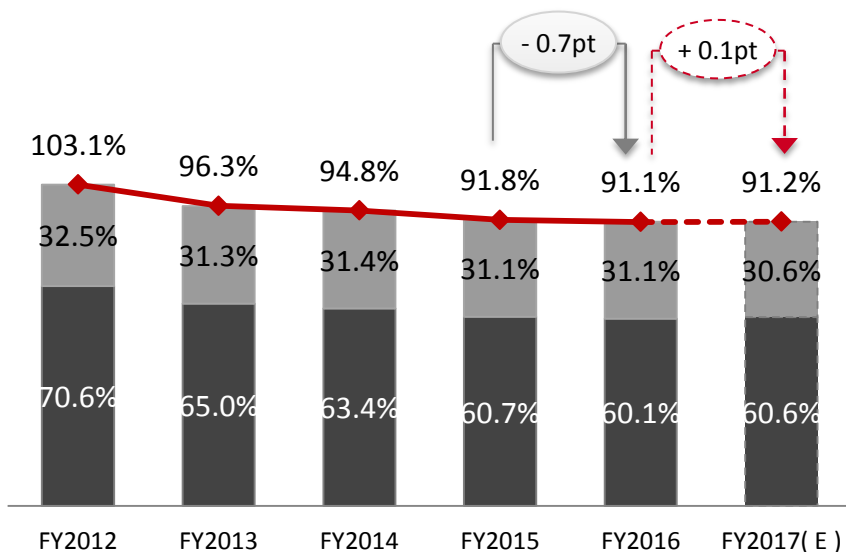
<b>Losses from domestic natural disasters</b> (occurring in the fiscal year)	¥43.0 billion
<b>Catastrophic loss reserve</b>	Net provision : ¥14.7 billion
<b>Provision rate of catastrophic loss reserve</b>	Provision rate of fire group : fire 14.0% other 5.0% Provision rate of automobile group : 3.2%
<b>Market indicators</b>	(Stock) Nikkei 225 : ¥18,909 (Interest yield) 10y JGB : + 0.07% (Foreign exchange) 1US\$ : ¥112.19, 1Euro : ¥119.79 * Assumptions for market indicators are based on ones as of end of March 2017.
<b>Interest and dividend income</b>	Gross : ¥113.4 billion    Net : ¥73.6 billion
<b>Realized gains on securities</b>	Realized gains on security sales : ¥69.3 billion Impairment losses on securities : ¥13.9 billion
<b>Reserve for price fluctuation</b>	Net provision : ¥10.5 billion



# (Reference) Related Indicators of Automobile Insurance

## Combined ratio

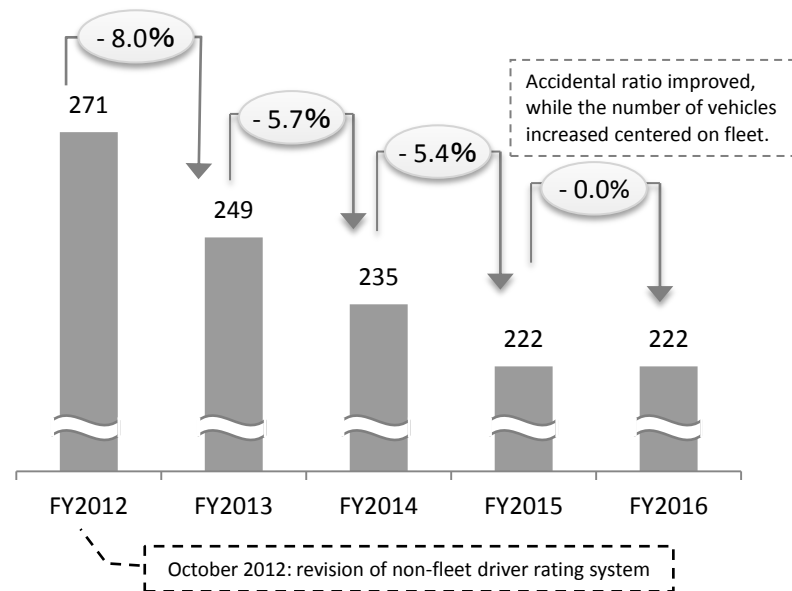
Loss ratio Expense ratio Combined ratio



\* Loss ratio is on a written paid basis (including loss adjustment expense).

## The number of reported claims

(Ten Thousands)

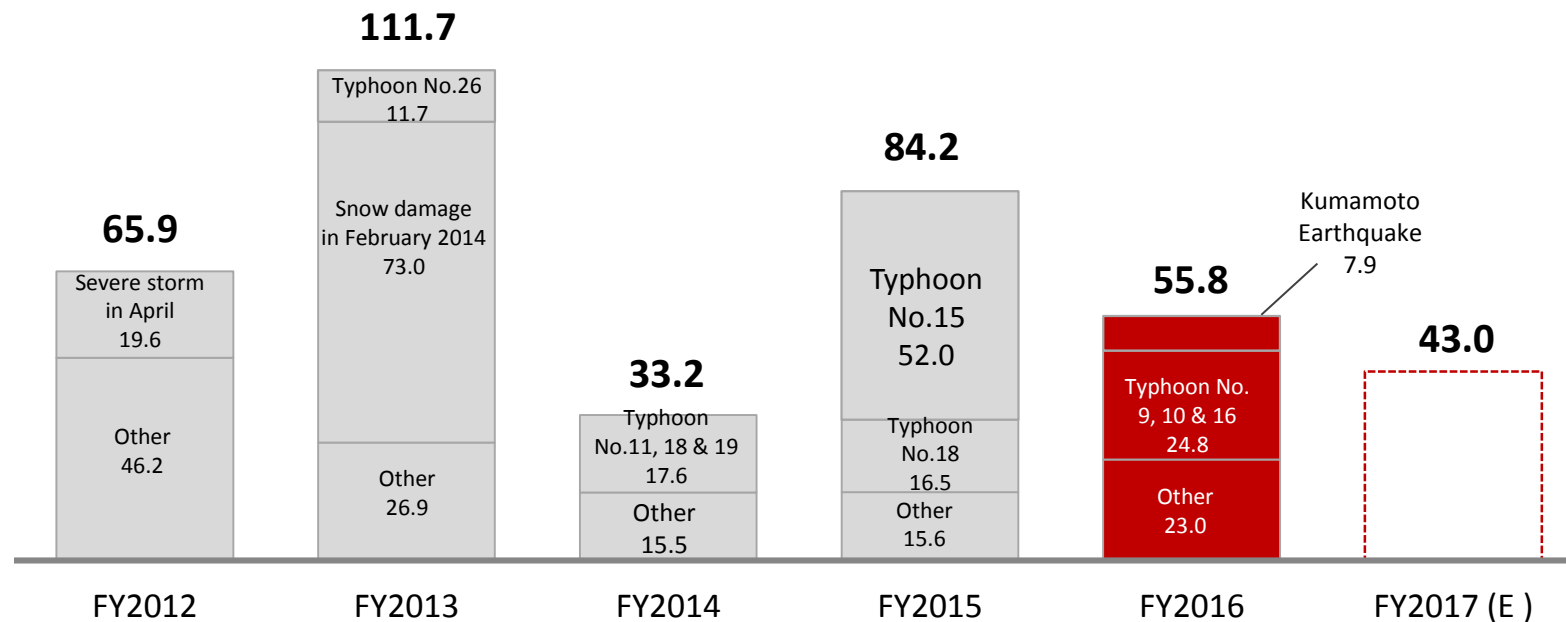


\* Exclude certain natural disasters, whose incurred loss exceeds certain threshold.

## (Reference) Domestic Natural Disasters

Trends of net loss occurred for domestic natural disasters (only events that occurred in the fiscal year)

(Billions of yen)



\* Excluding CALI, household earthquake.

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1. Trend of business results

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2. Domestic P&C insurance

3. Domestic life insurance

4. Nursing care & healthcare, etc.

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5. Overseas insurance

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6. ERM & asset management

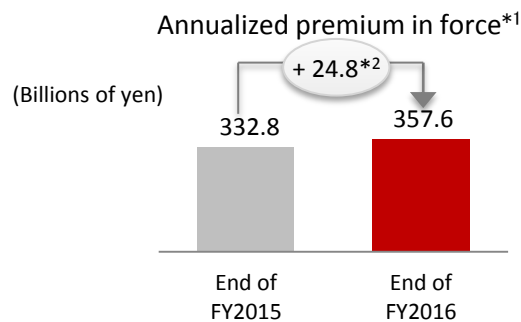
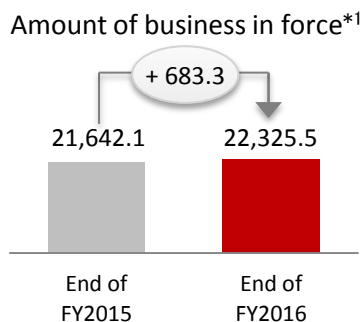
## Overview of FY2016 Results – Himawari Life

- ◆ In FY2016, net income improved to ¥8.3 billion, which exceeded initial plan (¥6.5 billion).
- ◆ In FY2017, net income is expected to be ¥6.0 billion mainly due to increase in provision of policy reserve while premium and other income will grow.

### Major indicators

(Billions of yen)	FY2015	FY2016	Change		FY2017 (Forecast)	Change	
Annualized new premium	40.3	50.2	+ 9.9	(+ 24.7%)	40.0	- 10.2	(- 20.4%)
Premium and other income	396.4	419.5	+ 23.0	(+ 5.8%)	439.3	+ 19.8	(+ 4.7%)
(excl. lump-sum payment)	392.5	419.4	+ 26.9	(+ 6.9%)	439.3	+ 19.8	(+ 4.7%)
Expense	94.7	104.3	+ 9.5	(+ 10.1%)	103.4	- 0.9	(- 0.9%)
Investment profit (general account)	42.2	43.3	+ 1.1	(+ 2.7%)	44.0	+ 0.6	(+ 1.6%)
Basic profit	21.9	16.5	- 5.3	(- 24.6%)	13.6	- 2.8	(- 17.3%)
Ordinary profit	22.5	16.8	- 5.6	(- 25.2%)	13.9	- 2.9	(- 17.4%)
Net income	11.6	8.3	- 3.2	(- 28.4%)	6.0	- 2.3	(- 27.9%)

(Reference)  
(Billions of yen)



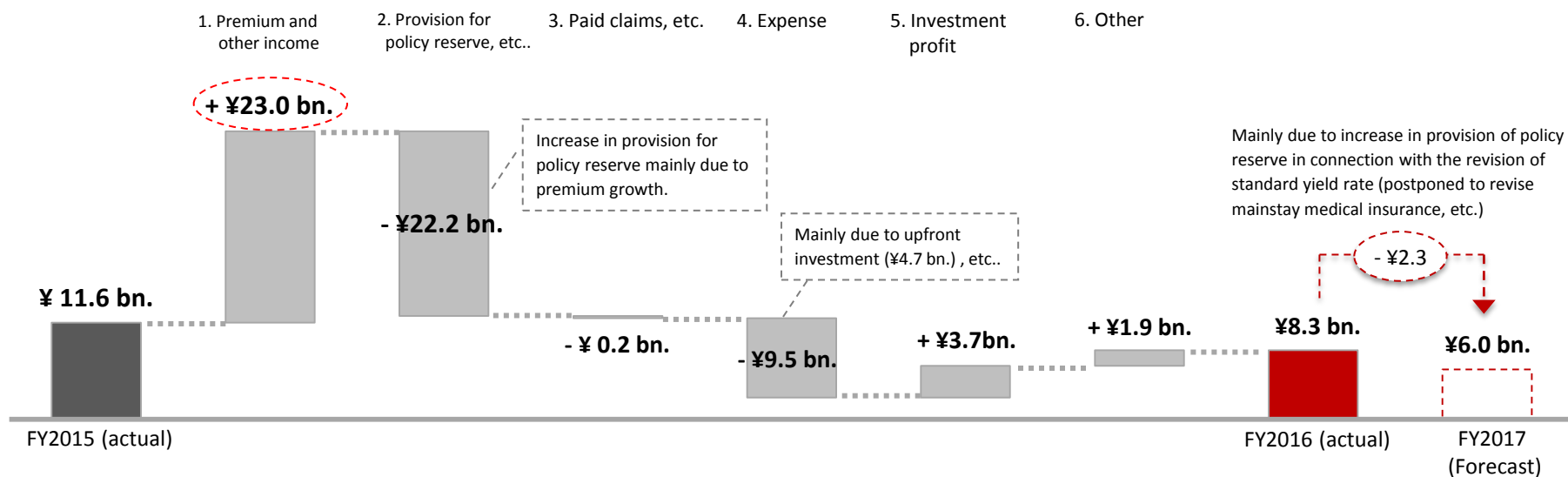
\*1 The sum of individual insurance and individual annuities.

\*2 Of which protection-type + ¥7.8 bn.

## Profit – J-GAAP

- ◆ In FY2016, while top-line kept growing steadily, net income decreased due to upfront investment for future growth.

### Main components of net income



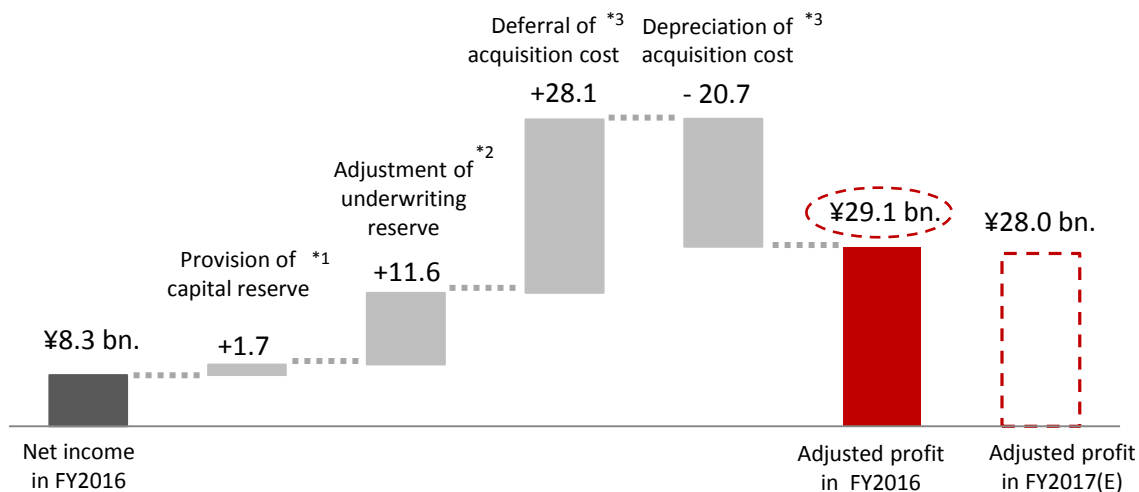
	1. Premium and other income	2. Provision for policy reserve, etc.	3. Paid claims, etc.	4. Expense	5. Investment profit	6. Other*	Net income
FY2015 (actual)	¥396.4 bn.	- ¥137.6 bn.	- ¥180.8 bn.	- ¥94.7 bn.	¥41.4 bn.	- ¥12.9 bn.	¥11.6 bn.
FY2016 (actual)	¥419.5 bn.	- ¥159.9 bn.	- ¥181.0 bn.	- ¥104.3 bn.	¥45.2 bn.	- ¥11.0 bn.	¥8.3 bn.
FY2017 (Forecast)	¥439.3 bn.	- ¥180.1 bn.	- ¥187.7 bn.	- ¥103.4 bn.	¥44.0 bn.	- ¥6.0 bn.	¥6.0 bn.

\* The sum of other ordinary expense, special gains and losses, provision for reserve of policy holder dividend and corporate tax, etc.

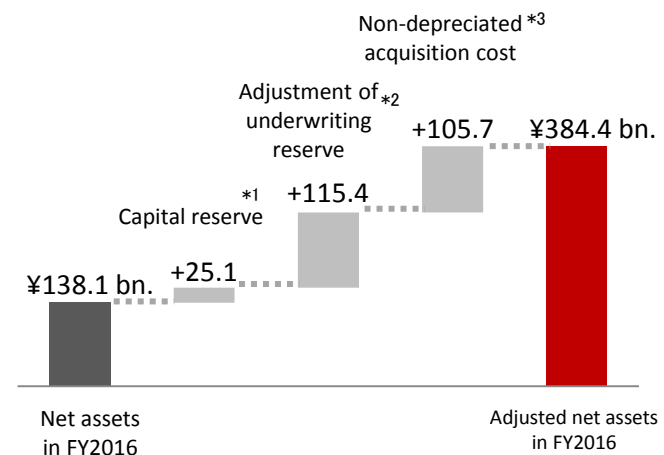
## Adjusted Profit and Adjusted Net Assets – Himawari Life

- ◆ In FY2016, adjusted profit exceeded initial plan (¥23.0 billion) and amounted to ¥29.1 billion due to expansion of policies in force, etc.
- ◆ In FY2017, adjusted profit will be ¥28.0 billion because paid claims in FY2016 was less than usual year's level.

### Conversion from net income to adjusted profit



### (Reference) Adjusted net assets



\*1 Contingency reserve and reserve for price fluctuation (after tax).

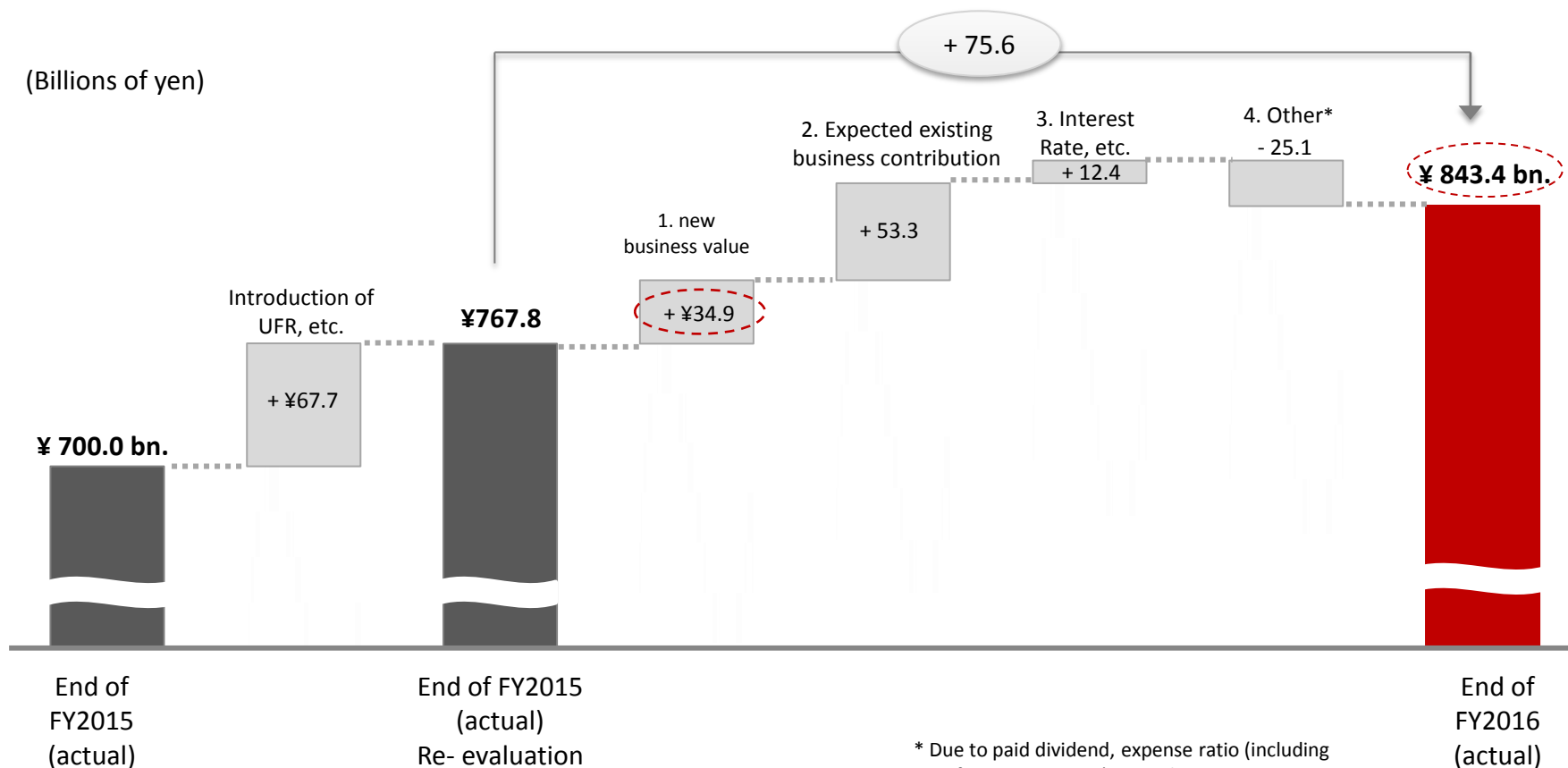
\*2 Re-calculate underwriting reserve, which is calculated conservatively, with factors used for calculation of premiums (after tax).

\*3 Acquisition cost, such as commissions for new contracts, depreciated over 10 years (after tax).

## (Reference) MCEV

- ◆ As of the end of FY2016, MCEV improved by ¥75.6 billion to ¥843.4 billion due to contribution of new business value (+ ¥34.9 billion).

### Changing factors of MCEV



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1. Trend of business results

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2. Domestic P&C insurance

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3. Domestic life insurance

4. Nursing care & healthcare, etc.

5. Overseas insurance

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6. ERM & asset management

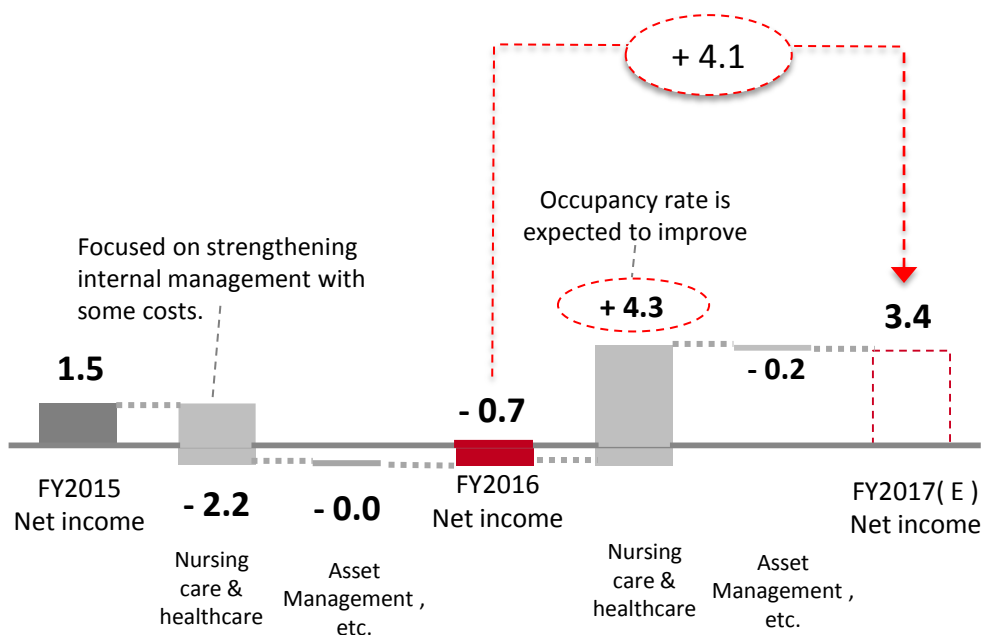


## Overview of FY2016 results – nursing care & healthcare, etc.

- ◆ We focused on strengthening internal management and enhancing profitability in nursing care business. In FY2017, nursing care & healthcare is expected to become profitable.

### Changing factors of net income

(Billions of yen)



### Main indicator of nursing care business

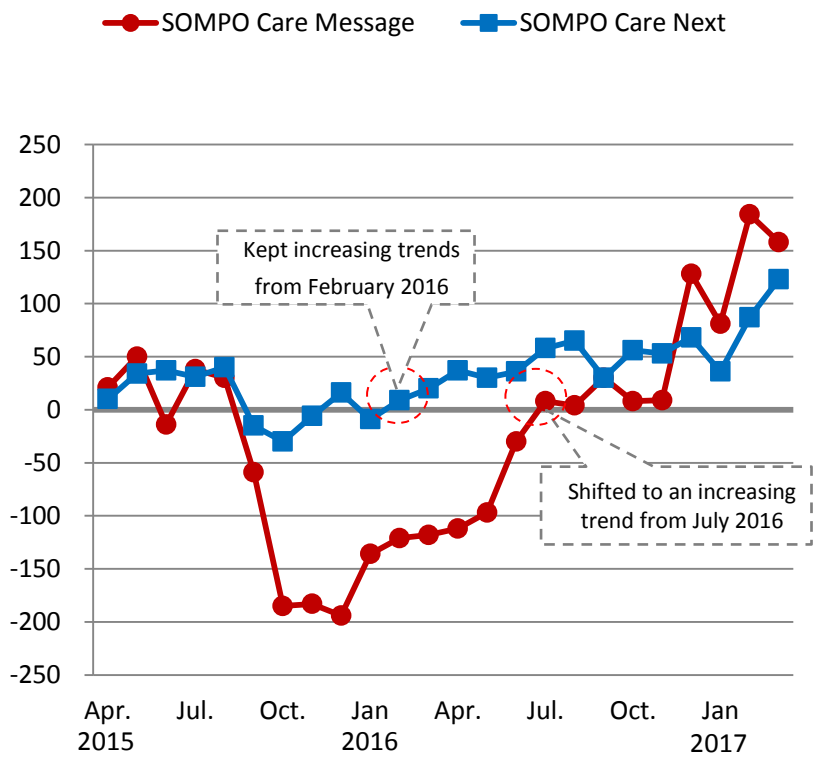
(Billions of yen)	FY2016	FY2017 (Forecast)
	Change	
Sales	110.8	119.8
(SOMPO Care Message)	73.4	79.3
(SOMPO Care Next)	37.4	40.5
Occupancy rate (SOMPO-no-le)	87.4%	91.4%
(SOMPO-no-le S)	83.6%	89.0%
(La vie Re)	80.1%	84.0%

\* SOMPO-no-le, SOMPO-no-le S, and La vie Re are brands of SOMPO Care Message's nursing homes, SOMPO Care Message's serviced residential complexes for elderly, and SOMPO Care Next's nursing facilities respectively.

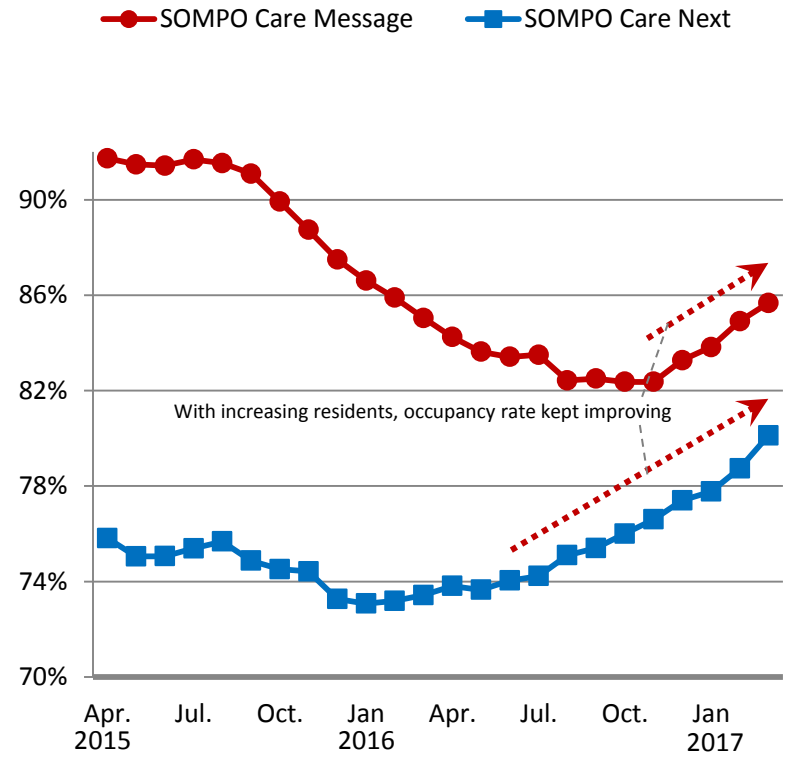
# (Reference) Residents and occupancy rate of nursing care business

## Inflow of residents progress

(Personnel)



## Occupancy rate progress



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1. Trend of business results

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2. Domestic P&C insurance

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3. Domestic life insurance

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4. Nursing care & healthcare, etc.

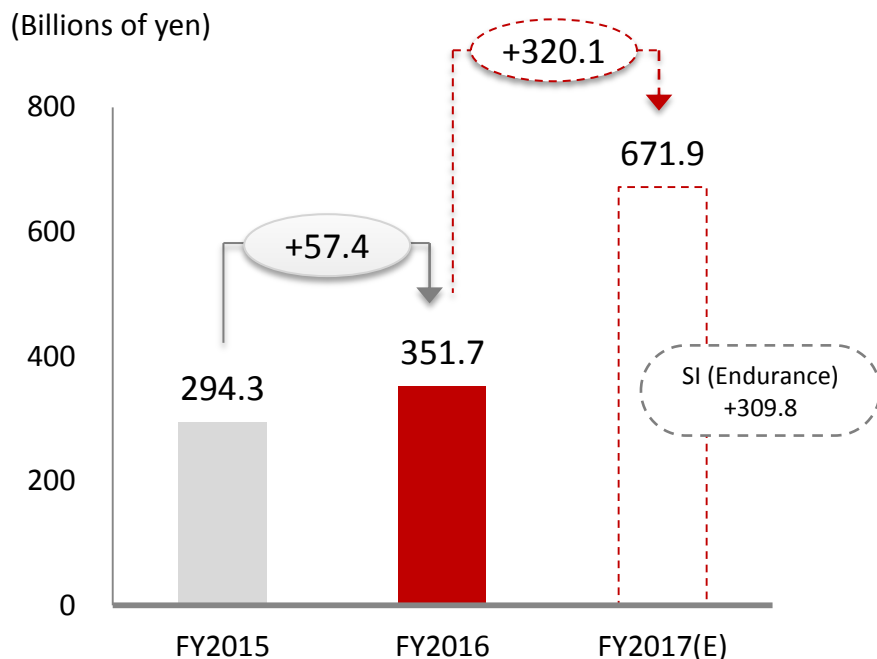
5. Overseas insurance

6. ERM & asset management

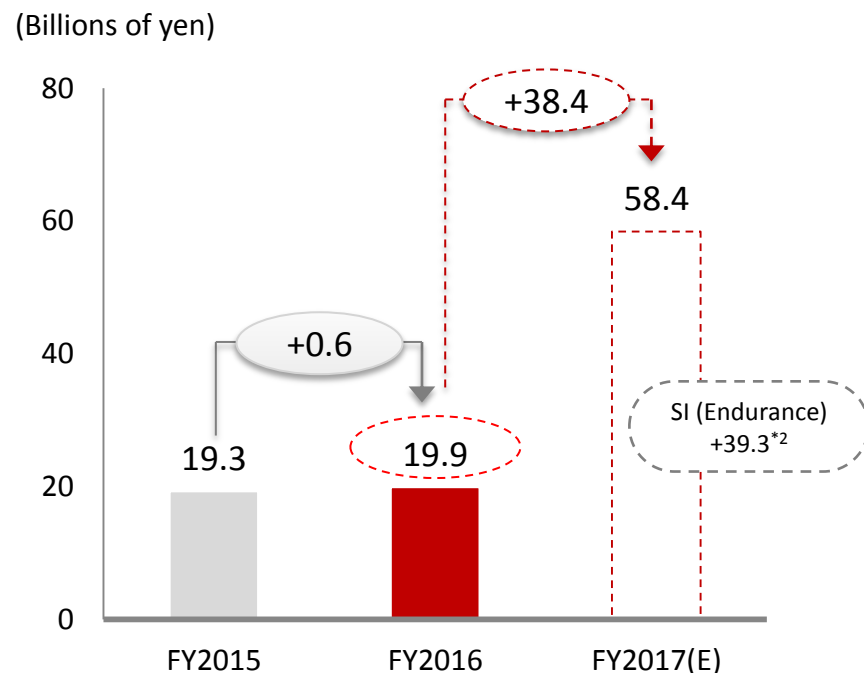
## Overview of FY2016 Results – Overseas Insurance

- ◆ In FY2016, net premiums steadily expanded. Net income increased by ¥0.6 billion to ¥19.9 billion.
- ◆ In FY2017, both top-line and bottom-line are expected to increase drastically due to consolidation of SI (Endurance).

### Net premiums written<sup>\*1</sup>



### Net income<sup>\*1</sup>



<sup>\*1</sup> Net premiums written of subsidiaries and affiliates reflect holding shares of each company. This treatment does not coincide with financial statements.

The net income figures also have been adjusted to reflect shareholdings and other factors.

From FY2016, figures include non-consolidated subsidiaries: Sompo Indonesia, Sompo Thailand, PGA Sompo (Philippines), United Insurance (Vietnam), and Sompo Mexico (The same shall apply hereafter).

<sup>\*2</sup> SI (Endurance)'s profit is forecast Operating Income (US-GAAP, please refer to page 12).

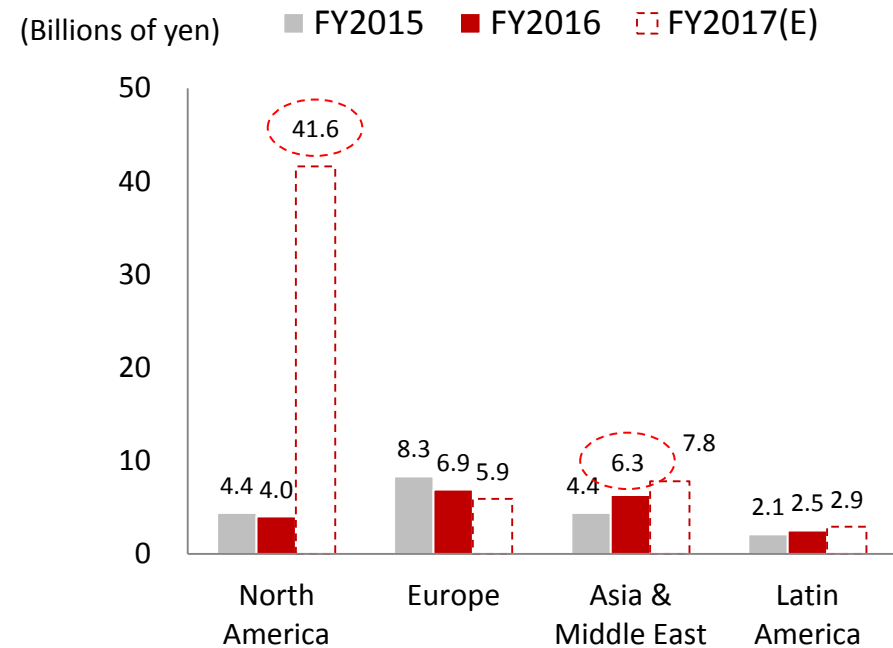
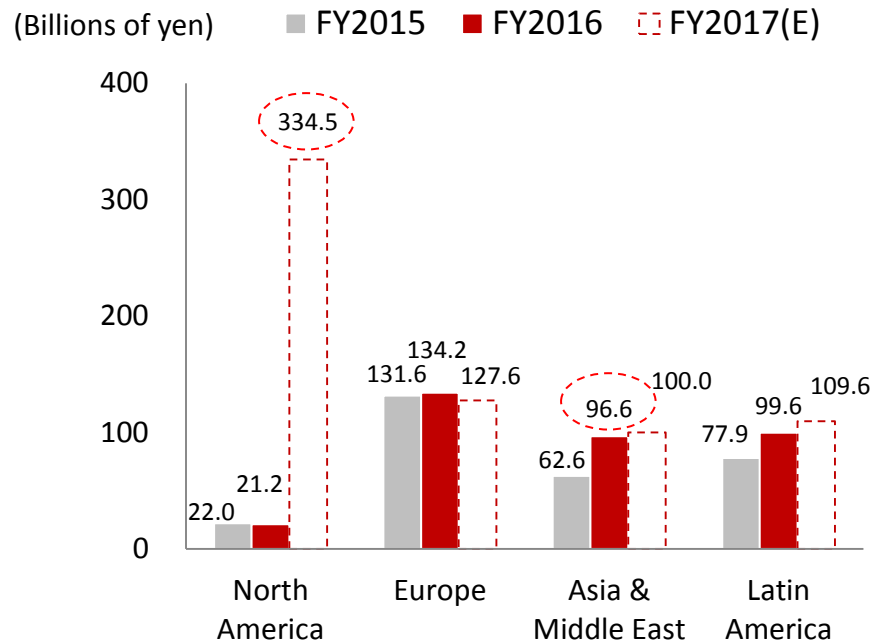
In 2017, one-time merger cost of \$62 million (about ¥7.0 billion) is excluded as a special factor from adjusted profit.

## Business Results by Region

- ◆ In FY2016, Asia & Middle East took a lead in growth both in top-line and bottom-line.
- ◆ In FY2017, North America is expected to grow drastically due to consolidation of SI (Endurance).

### Net premiums written (by region)

### Net income (by region)



## (Reference) Business Results by Company

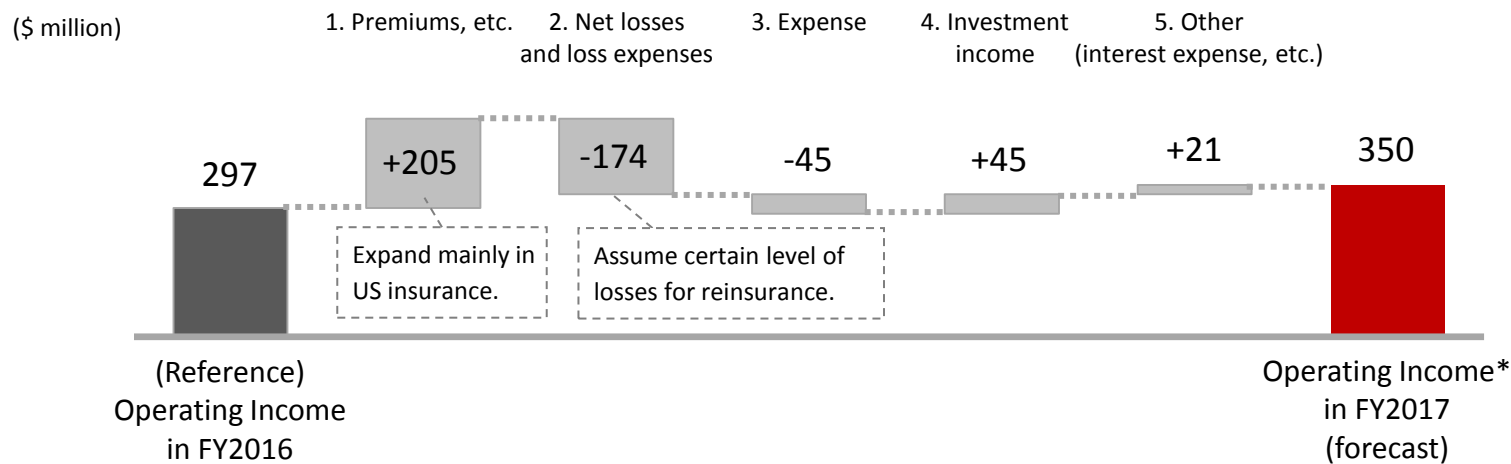
(Billions of yen)		Net premiums written			Net income			Key points	(Reference) Exchange rate		
		FY2016	Change	FY2017 (Forecast)	FY2016	Change	FY2017 (Forecast)		Dec. 2016 (YOY Change)		
North America	Sompo America	21.2	-0.8	24.7	4.0	-0.3	2.2	Loss ratio was favorable in workers compensation, etc. in FY2016. Conservative forecast has been adopted for FY2017.	116.49 JPY/USD	(3.4%)	
	SI (Endurance)	-	-	309.8	-	-	39.3	Consolidated from FY2017. ¥39.3 billion of earnings contribution is expected.	-	-	
Europe	SJNK Europe	0.9	-3.5	1.0	0.9	+0.3	0.0	Expanded reinsurance coverage in FY2016. Bottom-line increased due to one-time gain by reversal of reserves, etc.	143.00 JPY/GBP	(-20.0%)	
	Sompo Canopius	133.2	+6.1	126.5	5.9	-1.6	5.9	In line with the plan despite the impact of softening market in FY2016.	116.49 JPY/USD	(3.4%)	
Asia & Middle East	SJ Sigorta (Turkey)	58.7	+28.4	48.6	4.4	+2.8	6.2	Premiums of Motor Third-party Liability Insurance, etc. grew in FY2016, and has positive impact on profit in FY2017.	33.11 JPY/TRY	(-20.2%)	
	Sompo Singapore*1	6.4	-2.0	7.6	1.0	+0.0	0.5	Loss ratio was favorable in FY2016.	80.63 JPY/SGD	(-5.6%)	
	Berjaya Sompo*1 (Malaysia)	10.9	+0.2	13.1	1.0	-0.6	0.6	Despite the rebound of realized gain on stocks in FY2015, loss ratio stays favorable.	25.98 JPY/MYR	(-7.6%)	
	SJNK China NK China	5.4	-1.1	5.6	-1.1	-0.5	-0.1	There was the impact of large losses in FY2016.	16.76 JPY/RMB	(-8.7%)	
	Sompo Hong Kong	3.4	-0.6	3.6	0.4	+0.0	0.4	Loss ratio is on improving trend.	15.02 JPY/HKD	(-3.5%)	
	Universal Sompo (India)	2.9	+0.4	4.5	0.2	+0.0	0.2	Basically in line with the plan.	1.73 JPY/INR	(+1.8%)	
Latin America	Sompo Seguros (Brazil)	99.2	+21.3	109.1	2.2	+0.0	2.7	Loss ratio is on improving trend. Top-line is expected to increase gradually.	35.78 JPY/BRL	(+14.7%)	
Other (non-consolidated)*2		9.0	+9.0	17.3	0.6	+0.6	0.2	-	-	-	
Total		351.7	+57.4	671.9	19.9	+0.6	58.4	-	-	-	

\*1 There is the impact of initial cost for CIMB bancassurance in FY2017.

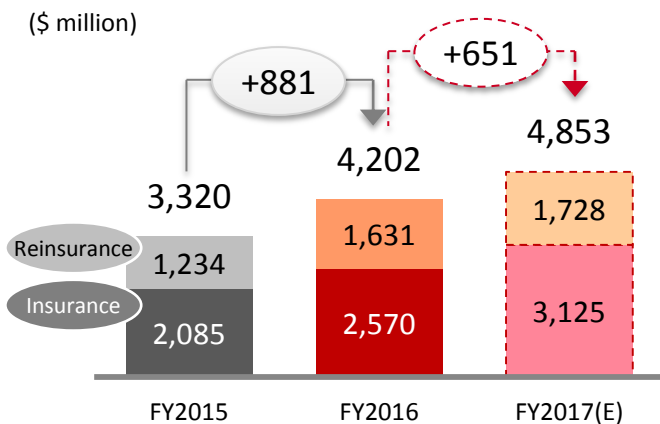
\*2 Sum of Sompo Indonesia, Sompo Thailand, PGA Sompo (Philippines), United Insurance (Vietnam), and Sompo Mexico.

## (Reference) Overview of Business Results of SI (Endurance)

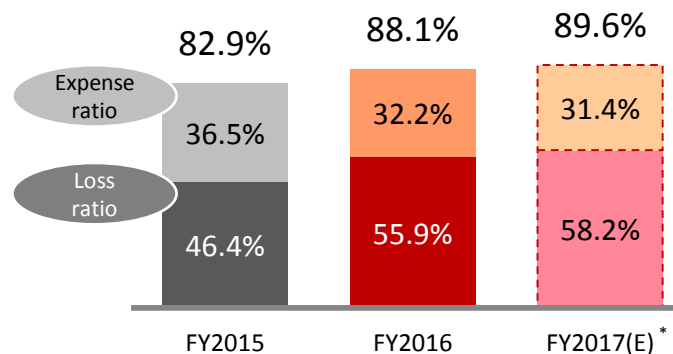
### Changing factors of adjusted profit (Operating Income) (forecast for FY2017)



### Trends of gross premiums



### Trends of combined ratio



\* In 2017(E), one-time merger cost of \$62 million is excluded as a special factor.  
(If it is not excluded, operating income is \$288 million, and combined ratio is 92.0%.)

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1. Trend of business results

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2. Domestic P&C insurance

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3. Domestic life insurance

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4. Nursing care & healthcare, etc.

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5. Overseas insurance

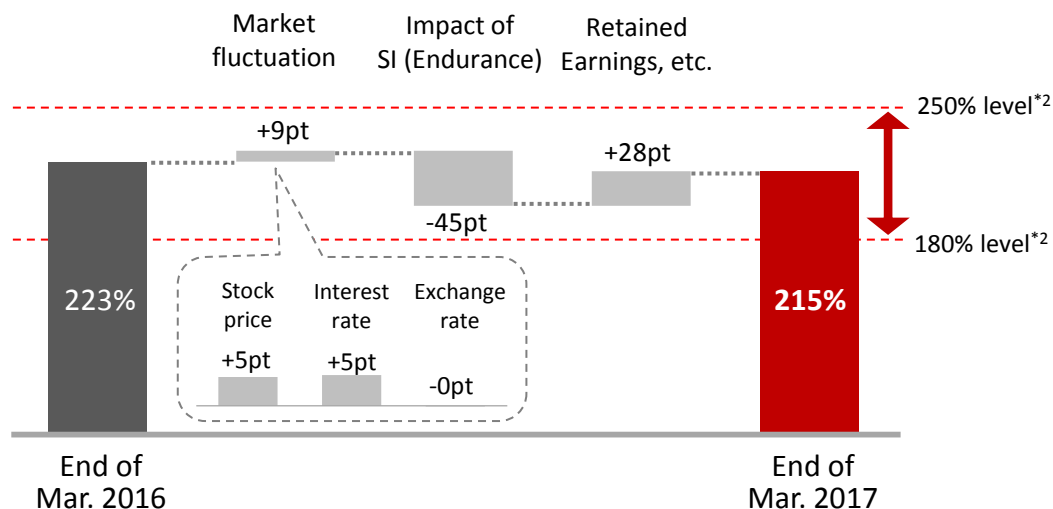
**6. ERM & asset management**



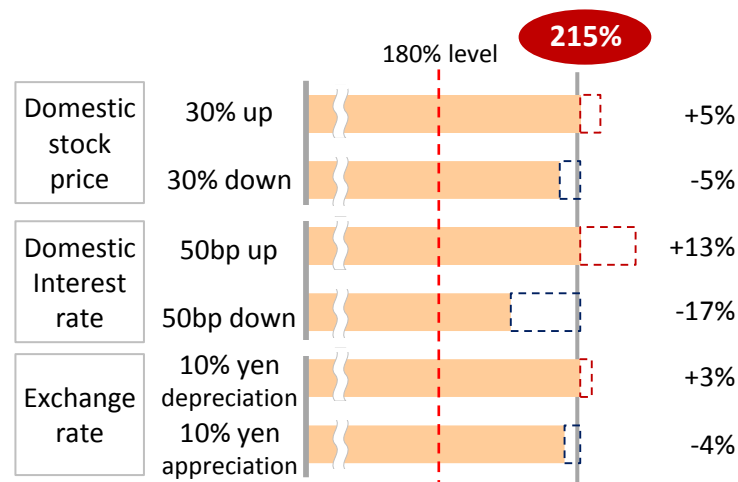
## Financial Soundness: ESR (99.5%VaR)

- ◆ Started disclosing ESR (99.5%VaR) in accordance with Solvency II in earnest for the purpose of increasing international comparability.
- ◆ Our financial soundness stays robust after the acquisition of SI (Endurance).

### Trend of ESR (99.5%VaR)\*1



### Sensitivity of ESR (99.5%VaR)



\*1 In accordance with international capital regulation, such as Solvency II

\*2 Target range is around 180% to 250% (99.5%VaR).

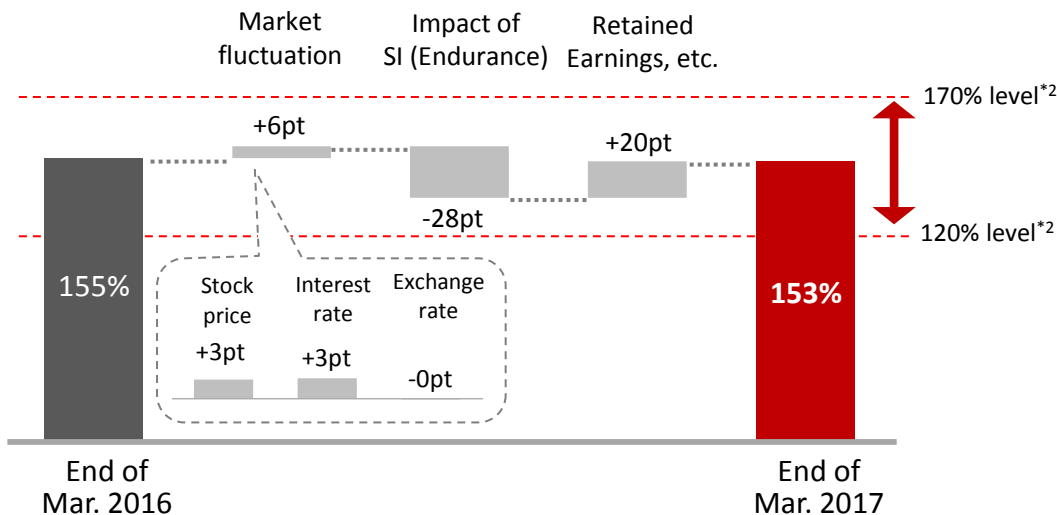
250% level: The level set based on capital efficiency (ROE).

180% level: The level leading to stable financial soundness, based on the result of stress test, etc.

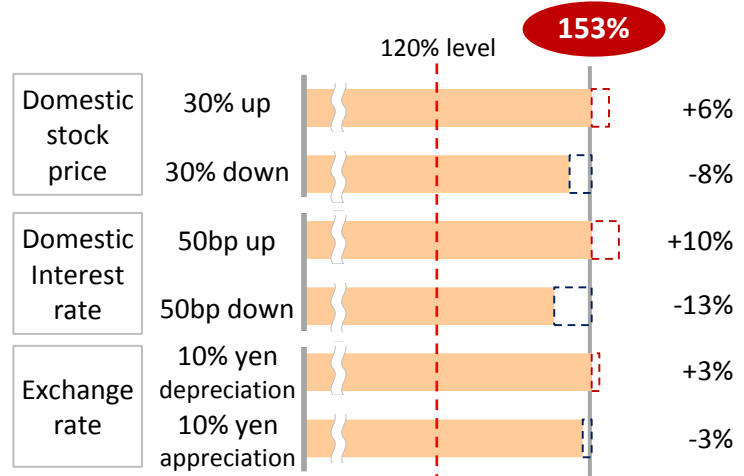
(Reference) Market indicators	End of Mar. 2016	End of Mar. 2017	
Domestic stock price (Nikkei 225)	¥16,758	¥18,909	(+12.8%)
Domestic interest rate (30y JGB)	0.56%	0.85%	(+29bp)
Exchange rate (JPY/USD)	¥112.68/USD	¥112.19/USD	(-0.4%)
Exchange rate (JPY/EUR)	¥127.70/EUR	¥119.79/EUR	(-6.2%)

# (Reference) ESR (99.95%VaR)

## Trend of ESR (99.95%VaR)\*1



## Sensitivity of ESR (99.95%VaR)



\*1 In accordance with international capital regulation, such as Solvency II

\*2 Target range is around 120% to 170% (99.95%VaR).

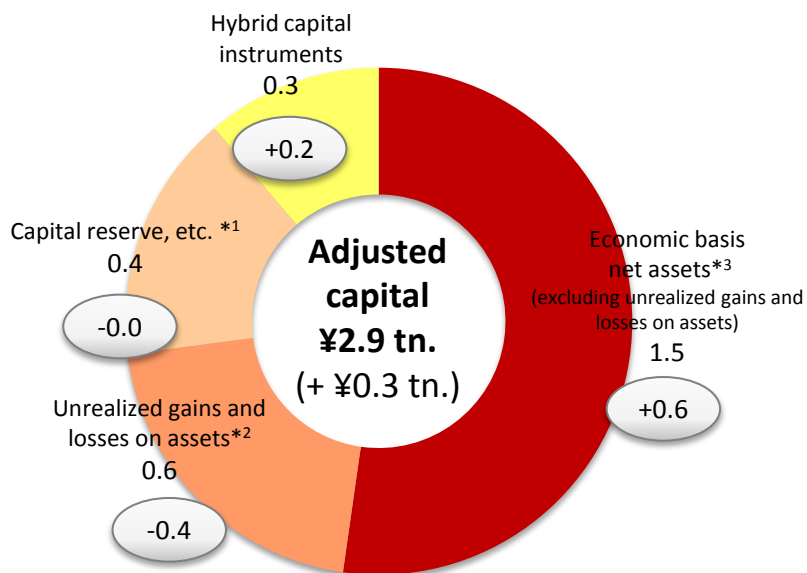
170% level: The level set based on capital efficiency (ROE).

120% level: The level leading to stable financial soundness, based on the result of stress test, etc.

# (Reference) Breakdown of Adjusted Capital and Risk (99.5% VaR)

## Adjusted capital (Trillions of yen)

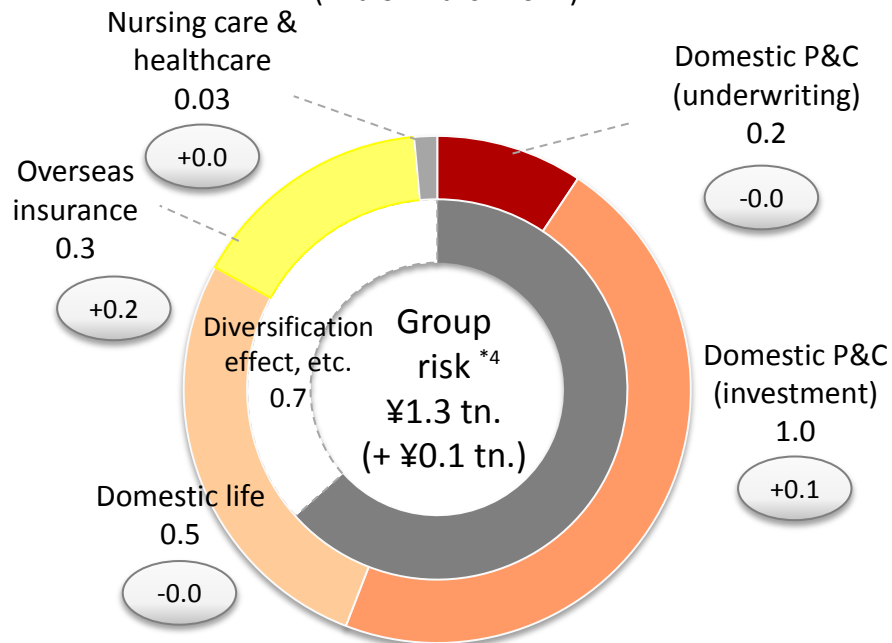
(End of March 2017)



○ : Change from end of Mar. 2016

## Risk amount (Trillions of yen)

(End of March 2017)



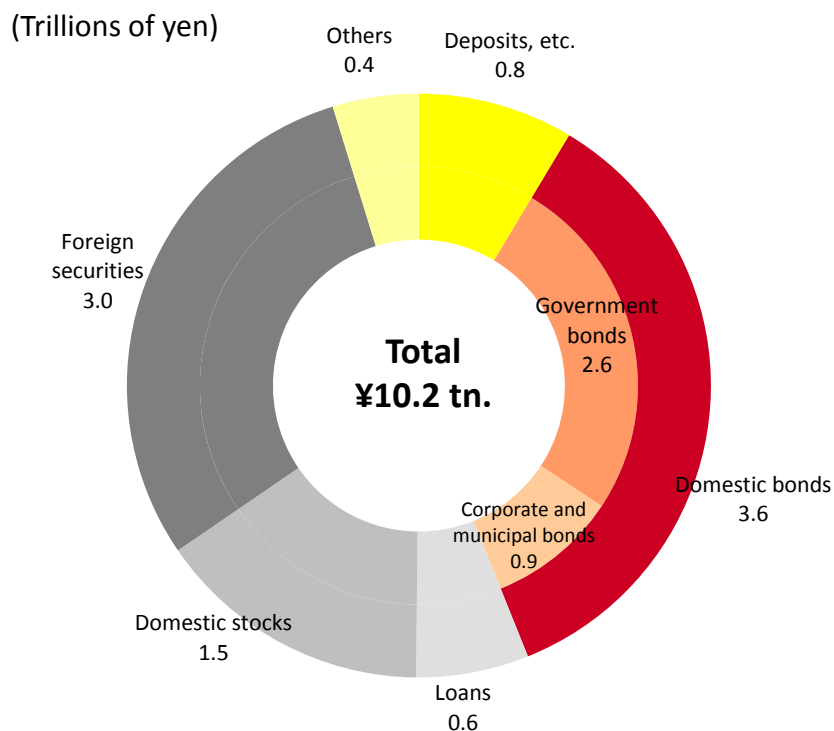
- \*1 Reserve for price fluctuation and catastrophic loss reserve, etc. (after tax)
- \*2 Unrealized gains and losses on securities, etc., including non mark-to-market assets (e.g. policy reserve matching bonds)
- \*3 Total of net assets on non-consolidated balance sheets, and value in force of P&C and life insurance business.

- \*4 Risk : 1 year holding period, 99.5% VaR (AA equivalent confidence level)
  - Risk amount of each business: Before reflecting risk diversification effect among businesses and before-tax basis.
  - Group total risk: Sum of risk amount of each business less risk diversification effect among businesses and tax impact.

## Asset Portfolio – Group-wide

- ◆ Keep thorough ALM, considering the character of liability and liquidity.
- ◆ Continue to reduce domestic stocks (around ¥100.0 billion in FY2017) steadily.

### Amount of investment assets (Group consolidated base, as of end of March 2017)



### By company (billions of yen)

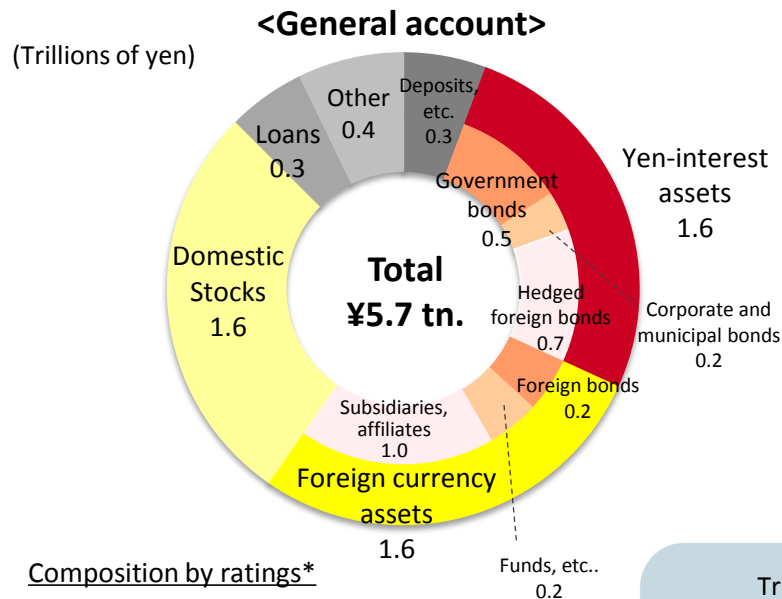
	Amount of investment assets	Composition
Sompo Japan Nipponkoa	5,874.7	57.4%
Himawari Life	2,530.2	24.7%
Overseas group subsidiaries	1,701.3	16.6%
( Of which SI (Endurance))	(1,047.1)	(10.2%)
Saison Automobile & Fire	43.7	0.4%
Sonpo 24	22.3	0.2%
Other domestic subsidiaries	60.9	0.6%
<b>Total</b>	<b>10,233.3</b>	<b>100.0%</b>

\* Others include lands, buildings and stocks of non-consolidated subsidiaries, etc.

## Asset Portfolio – Sompo Japan Nipponkoa

- ◆ The general account is managed with diversified investments while the saving-type account utilizes portfolio management based on ALM.
- ◆ Diversify investment methods, considering the risk-return balance in light of the domestic low interest rate environment.

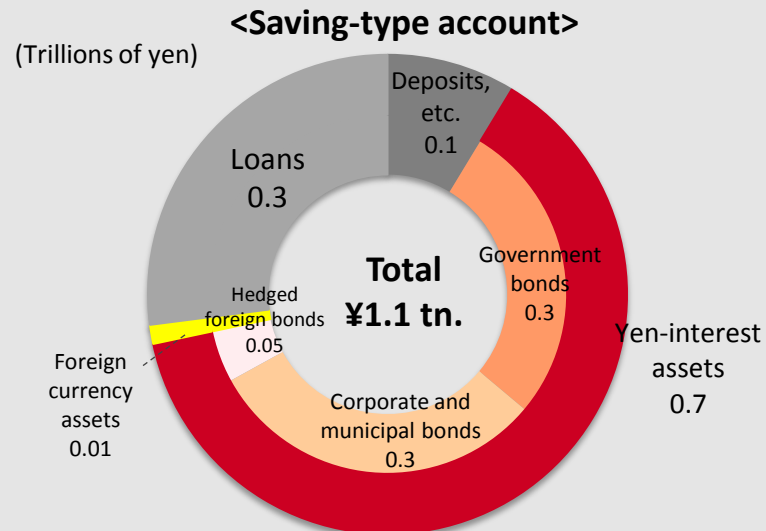
### Amount of investment assets (end of March 2017, Sompo Japan Nipponkoa, non-consolidated)



#### Composition by ratings\*

Internal rating	Composition
BBB or above	99.9%
BB or below	0.1%

\* Total of yen-interest assets and foreign currency assets



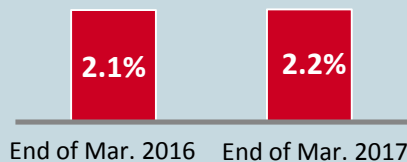
#### Composition by ratings\*

Internal rating	Composition
BBB or above	100.0%
BB or below	-

#### Duration (years)

	End of Mar. 2016	End of Mar. 2017
Asset	4.7	4.5
Liability	7.2	6.2

#### Trend of income yield

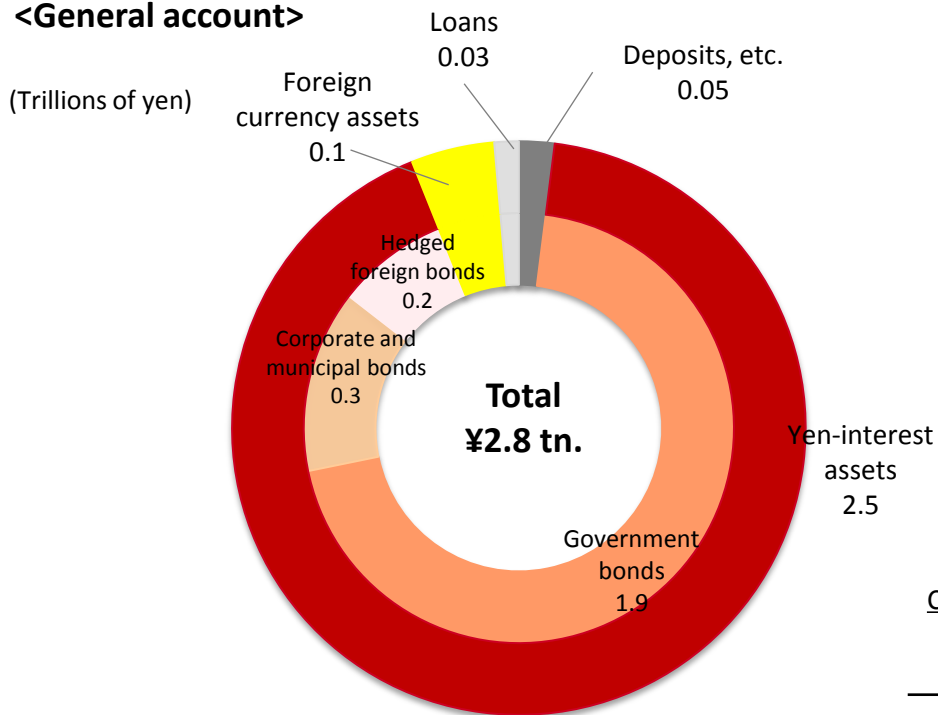


## Asset Portfolio – Himawari Life

- ◆ Manage the portfolio through disciplined ALM, which mainly consists of yen-interest assets.
- ◆ Keep allocating investment assets to foreign currency assets, assuming normalization of domestic low interest rate.

### Amount of investment assets (end of March 2017, Himawari Life, non-consolidated)

#### <General account>



#### Trend of income yield

1.8%

1.7%

End of Mar. 2016

End of Mar. 2017

#### Composition by ratings\*

Internal rating	Composition	Duration (years)	
		End of Mar. 2016	End of Mar. 2017
BBB or above	99.9%	Asset 14	13
BB or below	0.1%	Liability 23	21

\* Total of yen-interest assets and foreign currency assets

(Reference) Amount of separate account (End of Mar. 2017): ¥21.9 billion  
(mainly investment in domestic stocks and bonds)

## **Note Regarding Forward-looking Statements**

The forecasts included in this document are based on the currently available information and certain assumptions that we believe reasonable. Accordingly, the actual results may differ materially from those projected herein depending on various factors.

### **Contacts**



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