



**SOMPO**  
HOLDINGS

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# Highlights of 3Q FY2014 Results

February 13, 2015

Sompo Japan Nipponkoa Holdings, Inc.

# Key Points of 3Q Results

- Consolidated ordinary profit drastically increased (+62% YoY), and amounted to ¥158.5 billion.
- Consolidated net income was ¥43.3 billion, and progressed 96% against the fiscal year plan.

\*Unchanged the business forecasts for FY2014

## Domestic P&C

- Core underwriting profit improved by ¥39.7 billion year on year.
- Profitability of automobile insurance keeps improving. Combined ratio improved by around 2 points, and went down to 94.5%.
- The merger was completed as planned, and one-time merger cost of ¥76.8 billion was recorded as an extraordinary loss. (Fiscal year plan: ¥80.0 billion)

## Domestic Life

- Domestic life keeps increasing business in force. Net income was ¥11.9 billion in 3Q.
- Our main product, medical insurance, sold well due to the launch of new product.

## Overseas Insurance

- Top-line was steadily growing, and bottom-line almost achieved the fiscal year target in 3Q.

## ERM & Capital Policy

- Internal solvency ratio keeps within target level (120-170%).
- Reduction of strategic-holding stocks exposure steadily progressed, and was ¥72.2 billion.

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## Overview of 3Q FY2014 Results – Consolidated basis

- ◆ Net premiums written has steadily grown, and ordinary profit significantly increased.
- ◆ One-time merger cost recorded as an extraordinary loss was ¥76.8 billion. Net income amounted to ¥43.3 billion, and progressed 96% against the fiscal year forecast.

(Billions of yen)				(Announced on Nov. 19, 2014)
	3Q FY2013	3Q FY2014	Change	FY2014 (Forecasts)
Ordinary income (consolidated basis)	2,213.8	2,421.7	+207.8 (+9.4%)	-
Net premiums written (P&C)	1,683.7	1,868.1	+184.3 (+11.0%)	2,505.0
Life insurance premiums	200.8	202.0	+1.1 (+0.6%)	279.5
Ordinary profit (consolidated basis)	97.6	158.5	+60.8	172.0
Sompo Japan Nipponkoa *1	87.2	142.9	+55.6	162.6
Himawari Life	9.5	18.6	+9.1	17.8
Overseas insurance subsidiaries	9.3	15.1	+5.7	19.2
Consolidated adjustment *2/Others	-8.5	-18.2	-9.7	-27.7
Net income (consolidated basis)	47.3	43.3	-4.0	45.0
Sompo Japan Nipponkoa *1	40.4	32.8	-7.5	42.8
Himawari Life	5.8	11.9	+6.0	11.0
Overseas insurance subsidiaries	7.3	13.6	+6.2	14.6
Consolidated adjustment *2/Others	-6.3	-15.1	-8.7	-23.5

\*1 The figures in 3Q FY2013 are the sum of Sompo Japan and Nipponkoa.

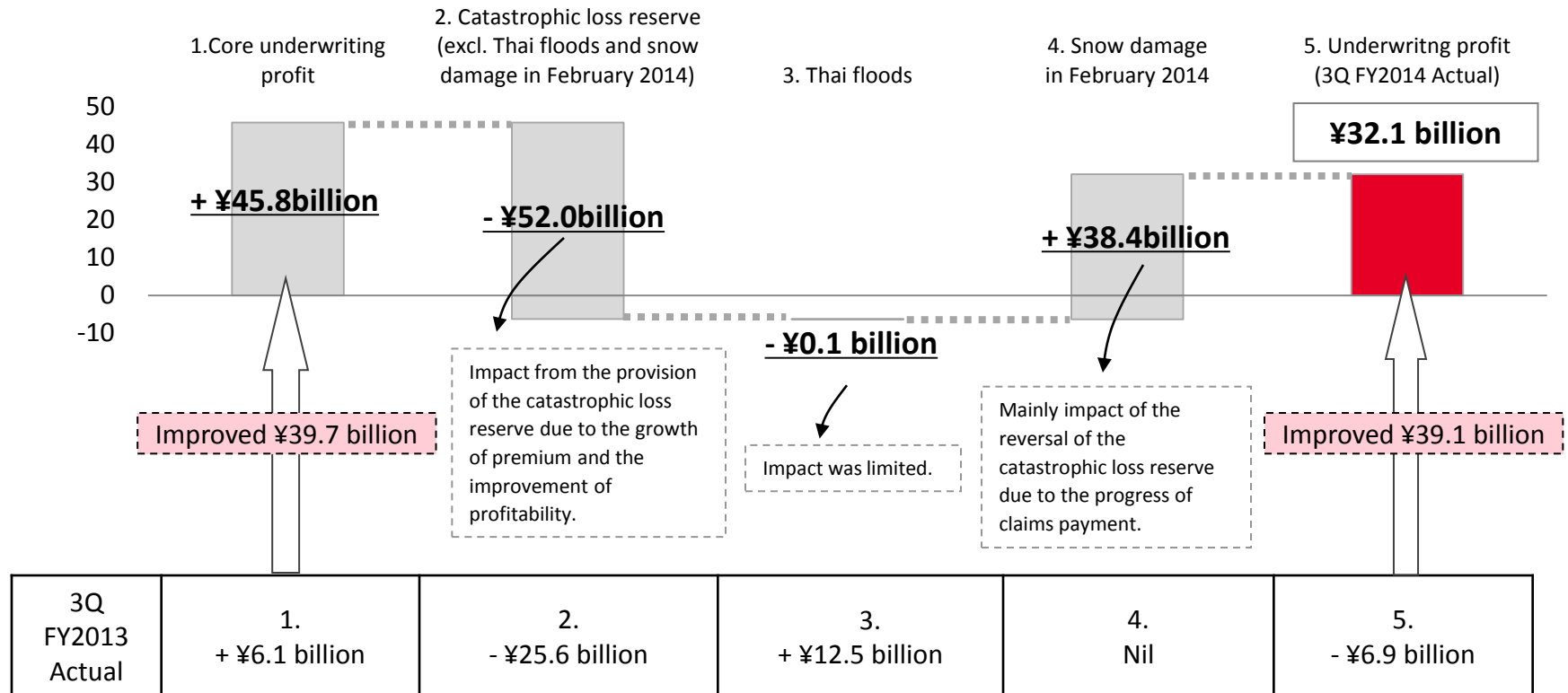
\*2 "Purchase method" accounting was adopted upon the establishment of Sompo Japan Nipponkoa Holdings (the former NKSJ Holdings). In the consolidated accounts of the holdings, assets and liabilities of the former Nipponkoa and some group companies were acquired and carried on the balance sheet at fair value at the time of business integration. (This gave rise to a difference between the carrying amount in the consolidated accounts of the former Nipponkoa and some group companies', and that 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." (The accounts of the former Sompo Japan and the former Nipponkoa were combined at their respective carrying amount at the time of the merger.)

# Main points of Consolidated Results for 3Q FY2014 – (1) Underwriting profit

- ◆ Core underwriting profit\* drastically increased mainly due to the improving profitability of voluntary automobile insurance.

## Breakdown of underwriting profit (Sompo Japan Nipponkoa)

(Billions of yen)

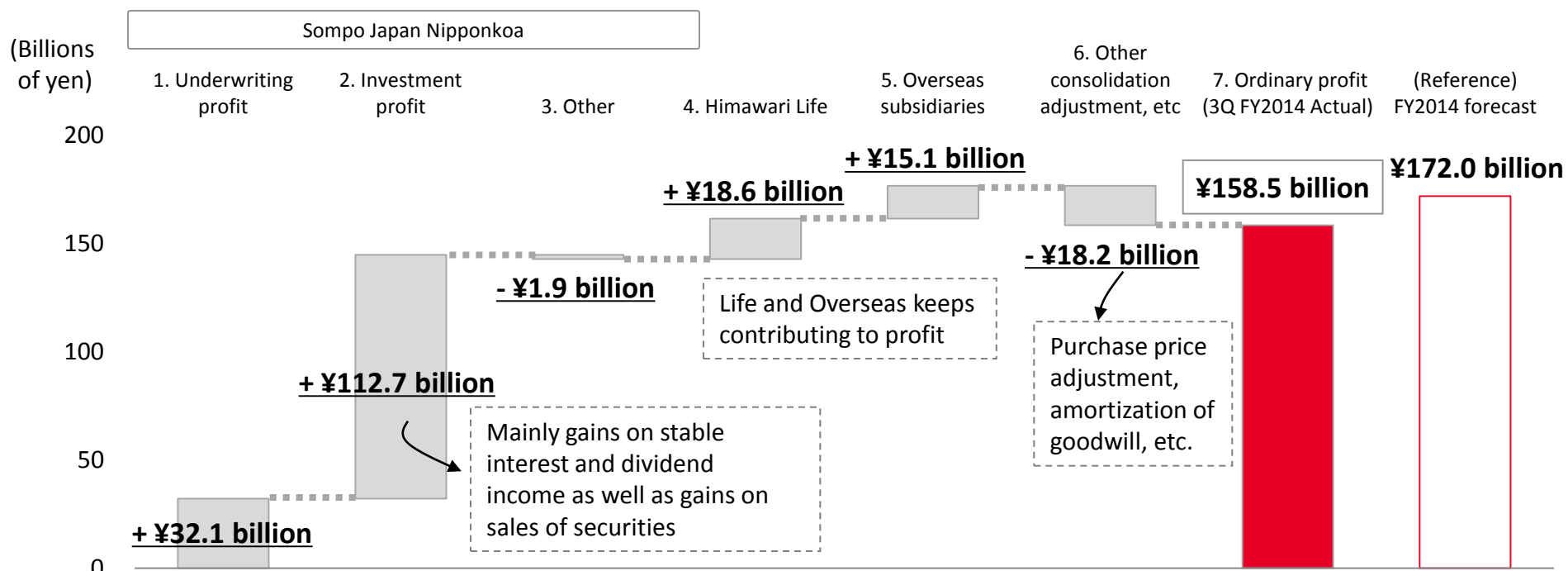


\* Core underwriting profit is underwriting profit less the impact related to catastrophic loss reserve, the Thai floods and snow damage in February 2014.

# Main points of Consolidated Results for 3Q FY2014 – (2) Ordinary profit

◆ Underwriting profit of domestic P&C insurance significantly improved. Profit from domestic life and overseas insurance increased, and market condition was preferable.

## Breakdown of consolidated ordinary profit



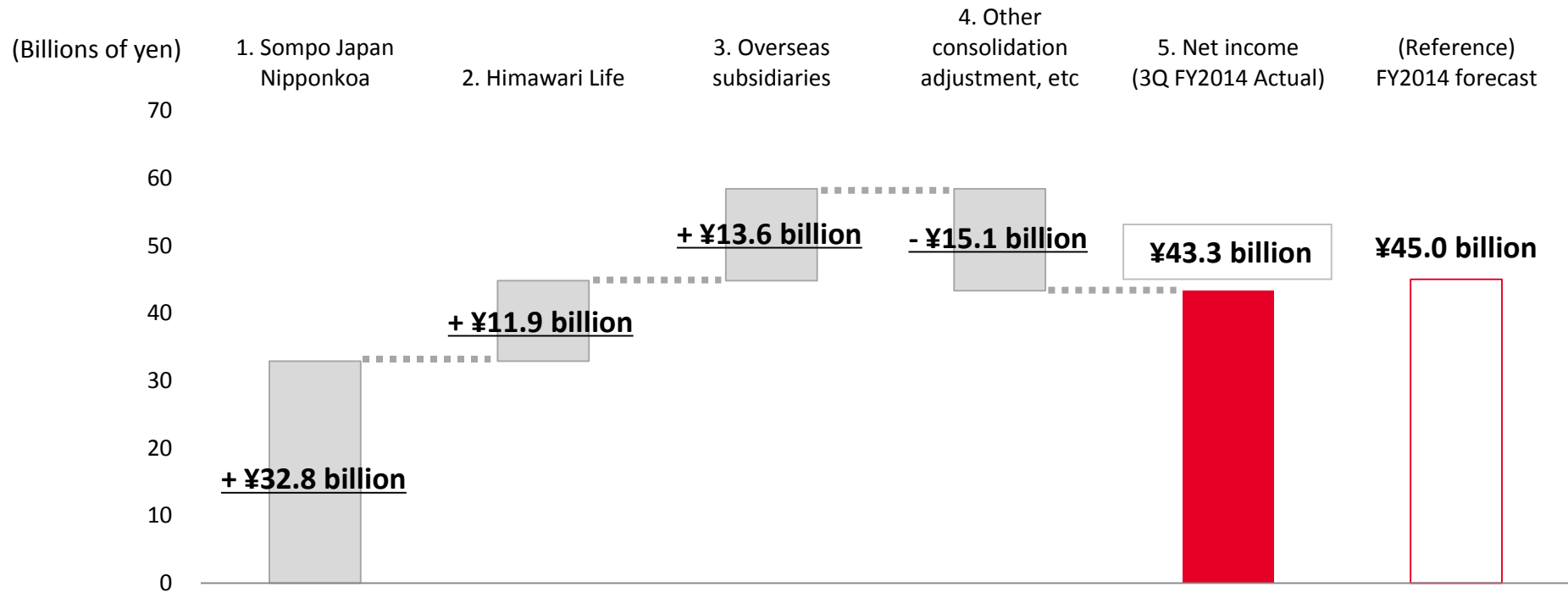
\* See previous page.

3Q FY2013 Actual	1.	2.	3.	4.	5.	6.	7.
	- ¥6.9 billion	+ ¥106.3 billion	- ¥12.1 billion	+ ¥9.5 billion	+ ¥9.3 billion	- ¥8.5 billion	¥97.6 billion

# Main points of Consolidated Results for 3Q FY2014 – (3) Net income

◆ Sompo Japan Nipponkoa, Himawari Life and overseas subsidiaries all contributed to profit.

## Breakdown of consolidated net income



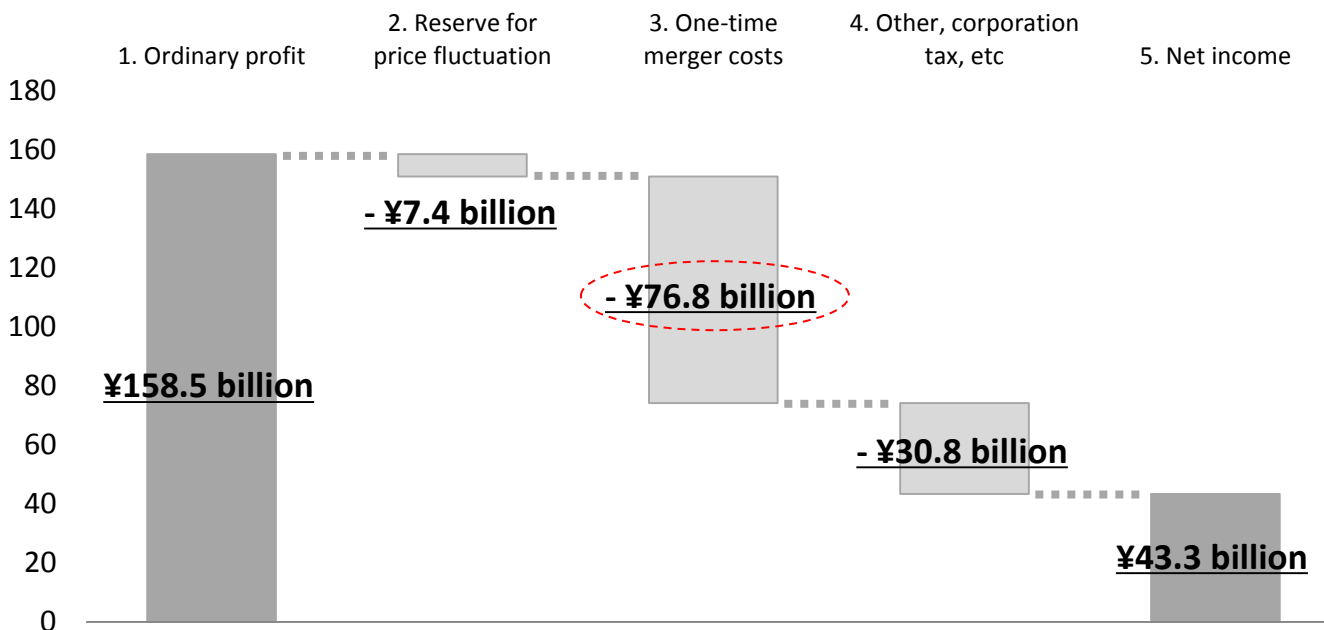
3Q FY2013 Actual	1. + ¥40.4 billion	2. + ¥5.8 billion	3. + ¥7.3 billion	4. - ¥6.3 billion	5. ¥47.3 billion
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# Main points of Consolidated Results for 3Q FY2014 – (4) Extraordinary losses

- ◆ The difference between ordinary profit and net income was mainly due to the impact of one-time merger cost (¥76.8 billion) related to system development.
- ◆ If excluding one-time merger cost, net income would be greatly larger than that in 3Q FY2013.

## The deference between ordinary profit and net income

(Billions of yen)



3Q FY2013 Actual	1. ¥97.6 billion	2. - ¥6.2 billion	3. - ¥17.1 billion	4. - ¥26.7 billion	5. ¥47.3 billion
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# Summary of Business Forecasts for FY2014 – Consolidate basis

(Billions of yen)	FY2013 (Actual)	FY2014 (Forecasts)	Change	
Net premiums written (P&C)	2,268.9	2,505.0	+236.0	(+10.4%)
Life insurance premiums	277.2	279.5	+2.2	(+0.8%)
Ordinary profit (consolidated basis)	112.3	172.0	+59.6	(+53.0%)
Sompo Japan Nipponkoa* <sup>1</sup>	117.7	162.6	+44.8	(+38.1%)
Himawari Life	13.7	17.8	+4.0	(+29.3%)
Overseas subsidiaries	10.9	19.2	+8.2	(+75.6%)
Consolidated adjustment* <sup>2</sup> /others	-30.1	-27.7	+2.3	(-)
Net income (consolidated basis)	44.1	45.0	+0.8	(+1.9%)
Sompo Japan Nipponkoa* <sup>1</sup>	49.5	42.8	-6.6	(-13.5%)
Himawari Life	8.0	11.0	+2.9	(+37.1%)
Overseas subsidiaries	11.5	14.6	+3.0	(+26.2%)
Consolidated adjustment* <sup>2</sup> /others	-25.0	-23.5	+1.4	(-)
(Reference) Adjusted profit (by business)	101.5	156.9	+55.3	(+54.5%)
Domestic P&C Insurance	6.5	60.9	+54.3	(+835.9%)
Domestic Life Insurance	85.7	80.0	-5.7	(-6.7%)
Overseas Insurance	7.8	14.2	+6.4	(+81.5%)
Financial & Other Services	1.5	1.7	+0.2	(+16.6%)

\*1 The figures in FY2013 are the sum of Sompo Japan and Nipponkoa.

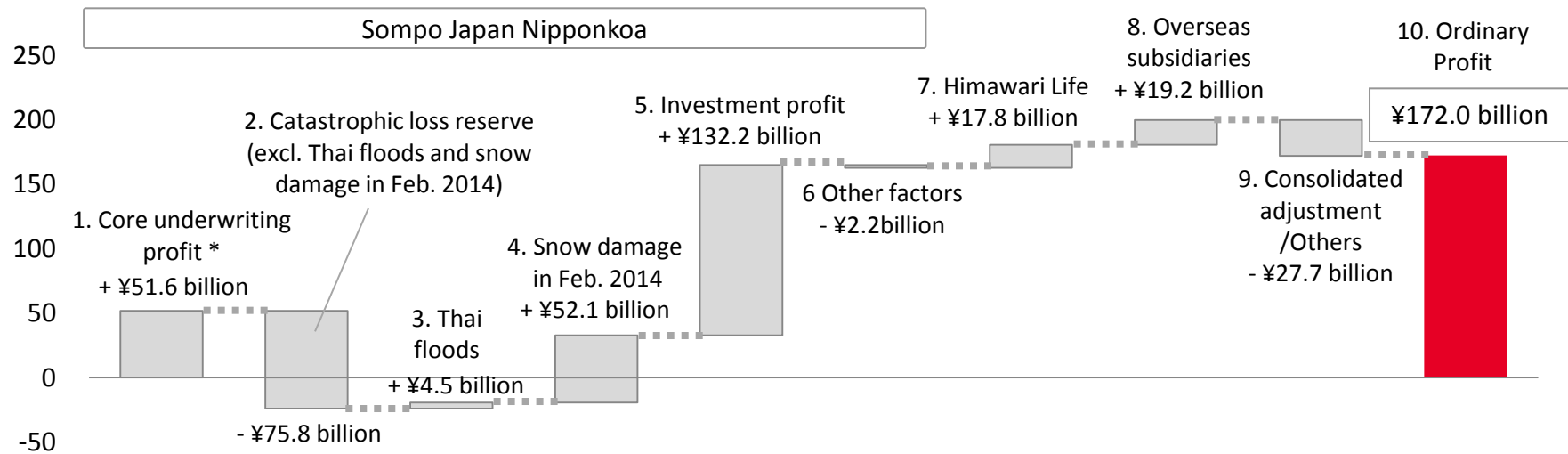
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# Main points of Business Forecasts for FY2014 – Ordinary Profit

- ◆ Consolidated ordinary profit is projected to be ¥172.0 billion.
  - Underwriting profit : Steady improvement of profitability is expected due to product and premium rate revisions, etc. for voluntary automobile insurance.
  - Investment profit : Stable interest and dividend income and gains on sales of securities are expected to contribute ¥132.2 billion to profit.
  - Himawari Life : ¥17.8 billion profit contribution is expected.

## Main components of consolidated ordinary profit

(Billions of yen)



FY2013 Actual	+ ¥14.4 billion	- ¥33.6 billion	+ ¥21.3 billion	- ¥64.6 billion	+ ¥192.7 billion	- ¥12.3 billion	+ ¥13.7 billion	+ ¥10.9 billion	- ¥30.1 billion	¥112.3 billion
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\* Core underwriting profit is underwriting profit less the impact related to catastrophic loss reserve, the Thai floods and snow damage in February 2014.

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## Overview of 3Q FY2014 Results (Sompo Japan Nipponkoa)

- ◆ Top-line steadily improved. Ordinary profit increased by ¥55.6 billion, and amounted to ¥142.9 billion due to drastic improvement of underwriting profit, etc.
- ◆ One-time merger cost (¥76.8 billion) was recorded as an extraordinary loss, and net income was ¥32.8 billion.

(Billions of yen)	3Q FY2013	3Q FY2014	Change
Net premiums written	1,552.2	1,633.9	+81.6 (+5.3%)
excl. CALI, household earthquake	1,329.9	1,405.4	+75.5 (+5.7%)
Loss Ratio	65.2%	65.8%	+0.6pt
excl. CALI, household earthquake	61.9%	63.1%	+1.2pt
Expense Ratio	32.2%	31.9%	-0.3pt
excl. CALI, household earthquake	34.3%	33.8%	-0.5pt
Combined Ratio	97.4%	97.7%	+0.3pt
excl. CALI, household earthquake	96.2%	96.9%	+0.7pt
Underwriting profit	-6.9	32.1	+39.1
Investment profit	106.3	112.7	+6.3
Ordinary profit	87.2	142.9	+55.6
Net income	40.4	32.8	-7.5
(Reference) Adjusted profit			
Net income	40.4	32.8	-7.5
+Provisions for catastrophic loss reserve (after tax)	11.5	-4.6	-16.2
+Provisions for reserve for price fluctuation (after tax)	3.9	4.8	+0.8
-Gains/losses on sales of securities and impairment losses on securities (after tax)	38.1	31.4	-6.6
-Special factors (after tax)*	-19.6	-60.2	-40.6
Adjusted profit	37.5	61.8	+24.3

\* Special factors are one-time merger costs, etc.

## Net Premiums Written

◆ Net premiums written increased in all lines.

### Net premiums written by product line

(Billions of yen)	3Q FY2013	3Q FY2014	Change	FY2014 (Forecasts)
Fire and Allied Lines	199.7	236.0	+36.3 (+18.2%)	323.1
Marine	34.3	39.3	+4.9 (+14.5%)	50.0
Personal Accident	142.0	142.7	+0.6 (+0.5%)	184.8
Voluntary Automobile	757.7	777.3	+19.6 (+2.6%)	1,051.6
CALI	221.6	227.8	+6.1 (+2.8%)	308.2
Other	196.8	210.6	+13.7 (+7.0%)	265.5
of which, Liability	119.1	125.0	+5.8 (+5.0%)	153.9
<b>Total</b>	<b>1,552.2</b>	<b>1,633.9</b>	<b>+81.6 (+5.3%)</b>	<b>2,183.5</b>
Total (excl. CALI, household earthquake)	1,329.9	1,405.4	+75.5 (+5.7%)	1,874.3

(Reference) Year-on-Year comparison of voluntary automobile insurance (end of December 2014)

	Sompo Japan Nipponkoa		
	# of vehicles	Premium /vehicle	Total Premium
Non-Fleet	-0.8%	+2.6%	+1.8%
Fleet	+1.7%	+3.3%	+5.0%
<b>Total</b>	<b>-0.3%</b>	<b>+2.6%</b>	<b>+2.3%</b>

\*Performance evaluation basis

(Main factors for growth of net premiums written)

Fire and Allied Lines: Both household and corporate steadily progressed, and assumed reinsurance increased.

Voluntary Automobile: Mainly impact of revisions of products and premiums.

Other: Good performance in Liability, etc.

\* The figures prior to September 1, 2014 are the sum of Sompo Japan and Nipponkoa.

## Loss Ratio (W/P)

- ◆ The loss ratio (written paid basis) rose mainly due to the progress of claims payment for snow damage in February 2014.

### Loss ratio by product line

(Billions of yen)	Net claims paid		Loss Ratio (W/P)			
		Change		Change		
Fire & Allied lines	178.3	+57.1	77.4%	+14.3pt		
Marine	20.3	-1.6	54.4%	-12.2pt		
Personal Accident	76.5	+0.2	58.3%	-0.4pt		
Voluntary Automobile	427.9	-2.5	62.9%	-2.1pt		
CALI	172.2	-0.7	82.4%	-2.8pt		
Other	104.2	+13.2	52.9%	+2.7pt		
of which, Liability	59.4	+5.9	51.1%	+2.1pt	(Reference) E/I Loss ratio	change
<b>Total</b>	<b>979.6</b>	<b>+65.7</b>	<b>65.8%*</b>	<b>+0.6pt</b>	Voluntary Automobile	62.0%    -4.7pt
Total (excl. CALI, household earthquake)	807.4	+66.4	63.1%	+1.2pt	Total (excl. CALI, household earthquake)	63.7%    -0.8pt
Total (excl. CALI, household earthquake, domestic natural disasters)	704.8	+12.0	55.8%	-2.5pt		

\* The impact of snow damage is about 4.2pt in here.

Note (1): In 3Q FY2014, net claim paid for Thai floods was ¥1.4 billion. (¥10.8 billion in 3Q FY2013 (sum of Sompo Japan and Nipponkoa))

Note (2): In 3Q FY2014, net claim paid for financial guarantee was ¥0.05 billion. (¥0.1 billion in 3Q FY2013(Sompo Japan))

## Net Expense Ratio

- ◆ Net expense ratio dropped due to the continuous reduction of company expenses as well as the growth of net premiums written.

### Net expense

(Billions of yen)	Amount		Net expense ratio	
		Change		Change
Net commissions and brokerage fees	294.0	+23.9	18.0%	+0.6pt
Operating, general and administrative expenses*	227.8	-2.3	13.9%	-0.9pt
<b>Total</b>	<b>521.8</b>	<b>+21.5</b>	<b>31.9%</b>	<b>-0.3pt</b>
Total (excl. CALI, household earthquake)	474.5	+18.9	33.8%	-0.5pt

### Company expense

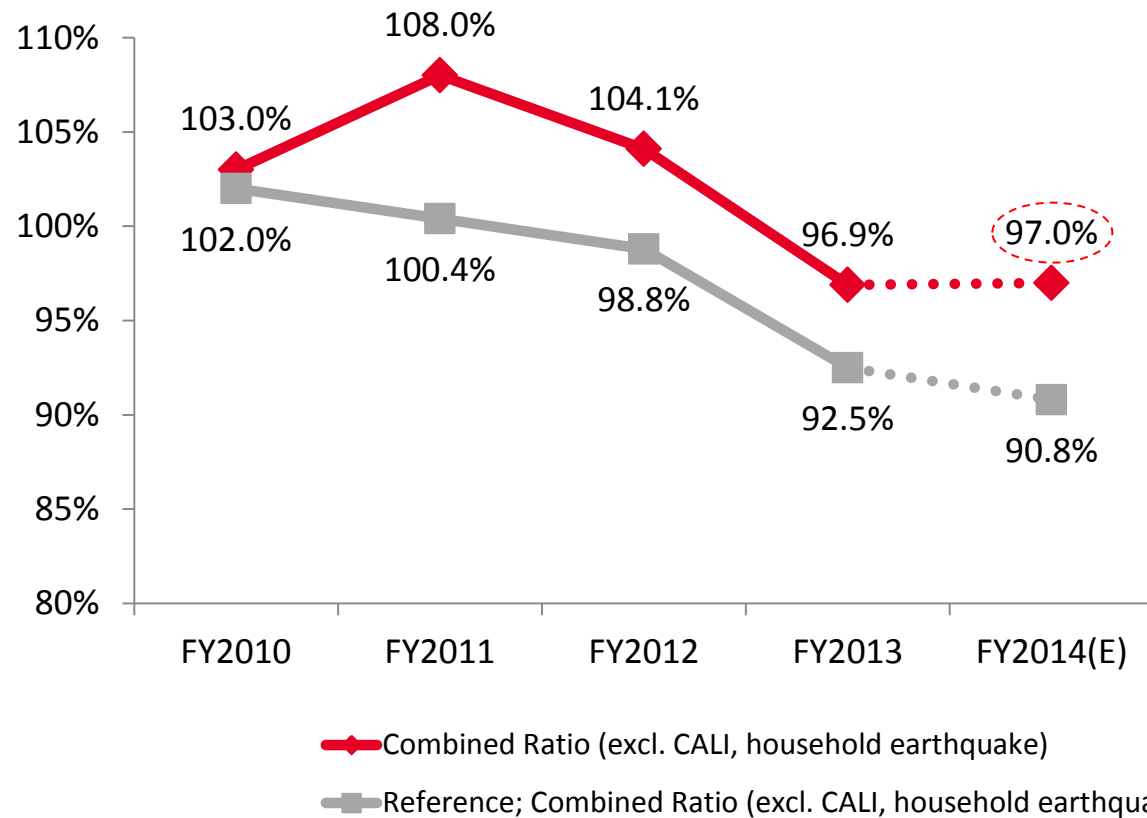
(Billions of yen)	Amount		% of net premium	
		Change		Change
Personnel expenses	181.7	-5.6	11.1%	-1.0pt
Non-Personnel expenses	133.3	-1.5	8.2%	-0.5pt
Tax and contributions	16.0	+0.7	1.0%	-0.0pt
<b>Total</b>	<b>331.1</b>	<b>-6.5</b>	<b>20.3%</b>	<b>-1.5pt</b>

\* Only for underwriting

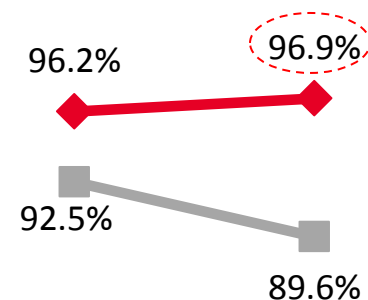
## Combined Ratio

- ◆ Combined ratio slightly increased to 96.9% in 3Q FY2014 due to snow damage in February 2014, etc.
- ◆ Combined ratio excluding domestic natural disasters is improving.

### Trends of combined ratio (excl. CALI, household earthquake)



### Trend of 3Q Results



\* The figures prior to September 1, 2014 are the sum of Sompo Japan and Nipponkoa.

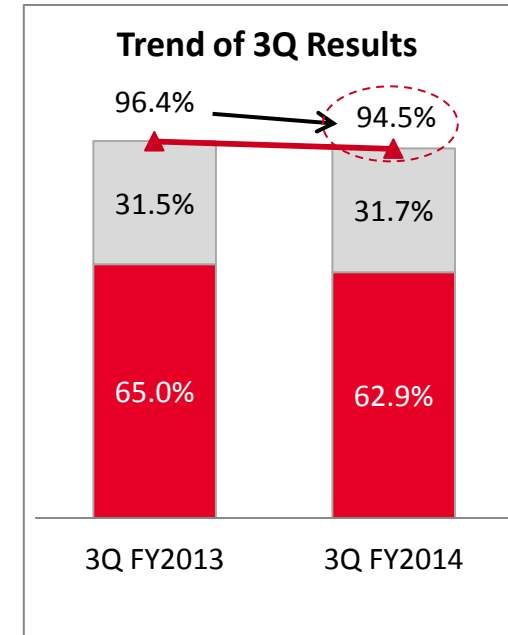
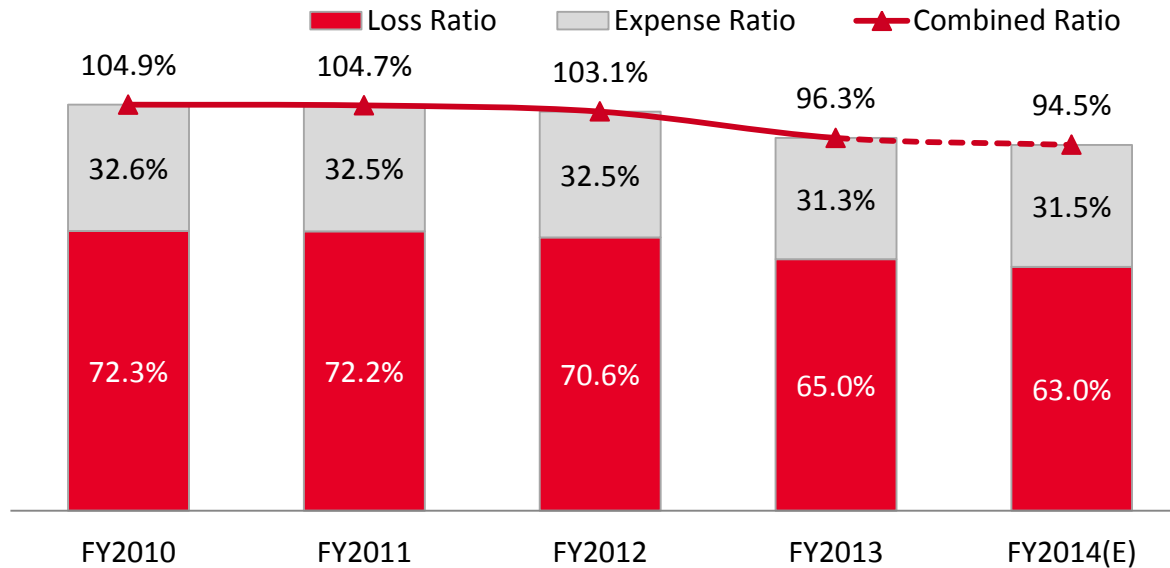


## Voluntary Automobile Insurance - Profitability

◆ Combined ratio continued to improve in 3Q FY2014.

- Positive impact of product and rate revisions has appeared, and decreasing trend of the number of reported claims is ongoing.

### Trends of combined ratio of voluntary automobile insurance



(Reference) premium rate revisions & driver rating system revision (non-fleet)

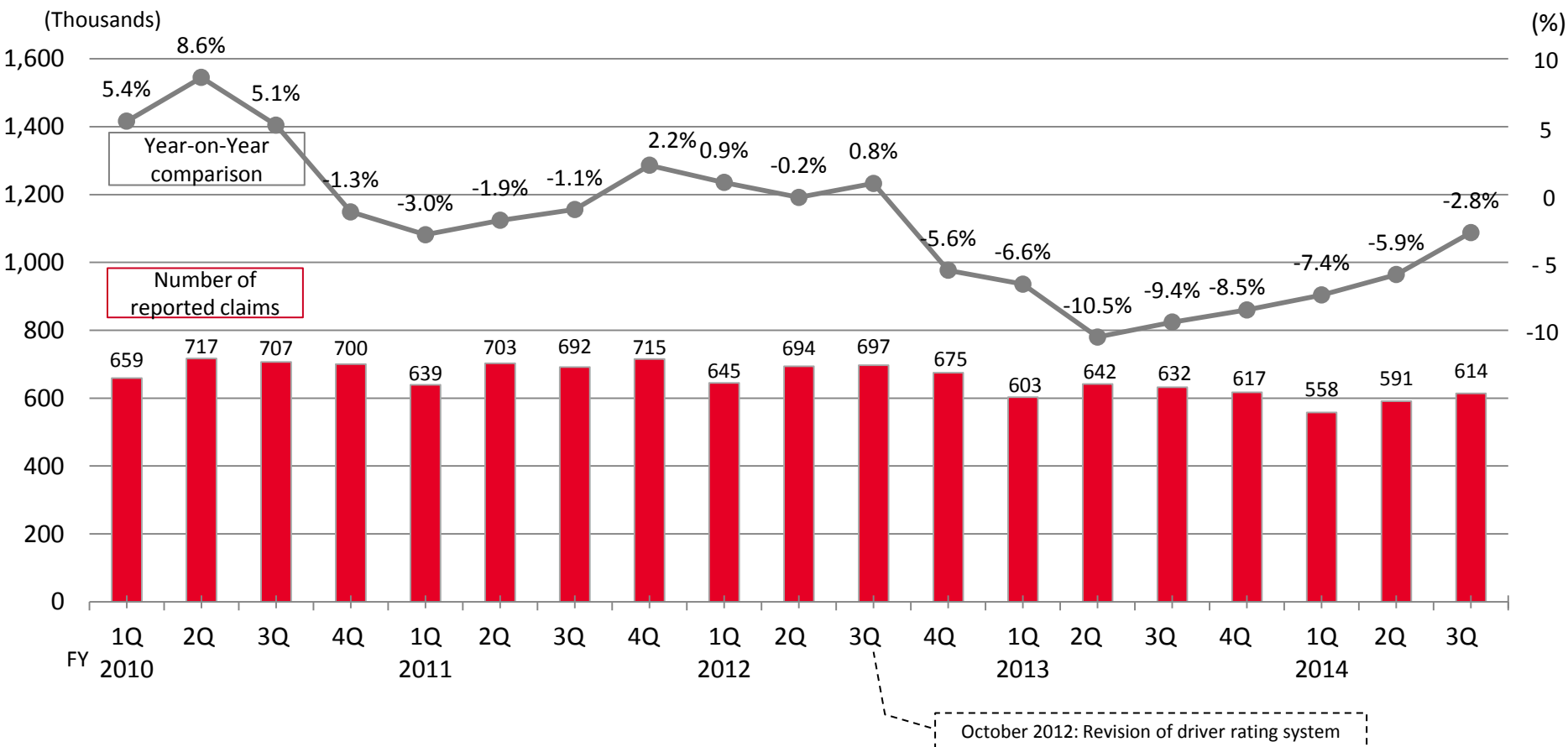
	FY2010	FY2011	FY2012	FY2013	FY2014
Sompo Japan	Apr. +0.8%	Apr. +1.7%	Oct. Driver rating system revision	Apr. +2.1%	Jul. +2.5%
Nipponkoa	Dec. +1.4%	Jan. +1.8%	Oct. Driver rating system revision	Apr. +2.0%	Sep. +2.5%

\* The figures prior to September 1, 2014 are the sum of Sompo Japan and Nipponkoa.

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

## Voluntary Automobile Insurance - Number of reported claims

### Trends of number of reported claims



\* Year on Year comparison is adjusted based on calendar.

\* Special factors in each fiscal year (The Great East Japan Earthquake, typhoon No.12 and 15 in FY2011, the severe storm in April 2012, and snow damage in February 2014) are excluded.

## Investment Profit

- ◆ Net interest and dividend income and realized gain on securities are in line with the fiscal year plan.
- ◆ Investment profit amounted to ¥112.7 billion, and progressed 85% against the plan.

				(Billions of yen)	
				(Reference)	
				FY2014	
				(Forecasts)	
		3Q FY2013	3Q FY2014	Change	
Interest and dividend income		88.2	88.3	+0.0	106.3
Net interest and dividend income	1	51.6	54.2	+2.5	61.1
Gains on sales of securities	2	67.9	46.2	-21.7	58.6
of which, gains on sales of domestic stocks		54.1	31.4	-22.6	50.8
Impairment losses on securities	3	-10.8	-0.7	+10.1	-0.6
of which, impairment losses on domestic stocks		-10.1	-0.0	+10.1	-0.6
Gains on derivatives	4	-12.8	-2.2	+10.6	-0.8
Other investment income	5	10.4	15.2	+4.7	13.9
Investment profit	1+2+3+4+5	106.3	112.7	+6.3	132.2

## Business Forecasts - Domestic P&C Insurance Business

(Billions of yen)	FY2013 (Actual)	FY2014 (Forecasts)	Change
Net premiums written	2,082.1	2,183.5	+101.3 ( +4.9% )
(Excl. CALI, household earthquake)	1,783.0	1,874.3	+91.2 ( +5.1% )
Loss ratio	65.7%	66.2%	+0.6pt
(Excl. CALI, household earthquake)	62.7%	63.8%	+1.1pt
El loss ratio (excl. CALI, household earthquake)	68.1%	64.5%	-3.5pt
Expense ratio	32.2%	31.3%	-0.9pt
(Excl. CALI, household earthquake)	34.2%	33.2%	-1.1pt
Combined ratio	97.9%	97.5%	-0.3pt
(Excl. CALI, household earthquake)	96.9%	97.0%	+0.1pt
Underwriting profit	-62.5	32.6	+95.2 (-)
Investment profit	192.7	132.2	-60.4 (-31.4%)
Ordinary profit	117.7	162.6	+44.8 ( +38.1% )
Net income	49.5	42.8	-6.6 (-13.5%)

\* The figures in FY2013 are the sum of Sompo Japan and Nipponkoa.

## Assumption of Business Forecasts - Domestic P&C

<b>Losses from domestic natural disasters</b> (occurring in the fiscal year)	¥35.0 billion
<b>Thai floods</b>	Net claims paid : ¥4.6 billion
<b>Snow Damage in February 2014</b>	Net claims paid : ¥72.5 billion
<b>Catastrophic loss reserve</b>	Net reversal : ¥1.3 billion
<b>Provision rate of Catastrophic loss reserve</b>	Provision rate of fire group : 10.0% Provision rate of automobile group : 5.5%
<b>Market indicators</b>	(Stock) Nikkei 225 : ¥16,173 (Interest yield) 10y JGB : 0.53% (Foreign exchange) 1US\$ : ¥109.45 1Euro : ¥138.87
<b>Interest and dividend income</b>	Gross : ¥106.3 billion    Net : ¥61.1 billion
<b>Realized gains on securities</b>	Realized gains on security sales : ¥58.6 billion Impairment losses on securities : ¥0.6 billion
<b>Reserve for price fluctuation</b>	Net provision : ¥8.9 billion


## (Reference) Domestic Natural Disasters

- ◆ Net claims paid decreased year on year because there were no large-scale natural disasters this fiscal year.

### Net claims paid

(Billions of yen)	3Q FY2013	3Q FY2014	Change
Fire & Allied lines	21.4	18.4	-2.9
Marine	0.0	-	-0.0
Personal Accident	0.0	0.0	-0.0
Voluntary Automobile	3.8	2.9	-0.9
Other	1.1	0.8	-0.3
<b>Total</b>	<b>26.4</b>	<b>22.2</b>	<b>-4.2</b>

(Reference) Net claims paid - major natural disasters in FY2014	(Billions of yen)
Typhoon No. 11 (August 2014)	5.4
Typhoon No. 18 (October 2014)	4.5
Typhoon No. 19 (October 2014)	3.1

  
 Incurred loss  
 assumption of  
 full year forecasts  
 ¥35.0billion

\* Above figures are net claims paid caused by domestic natural disasters incurred in the fiscal year. Net claims paid incurred in the previous year are not included.  
 \* Since outstanding loss reserve is worked out by compendium method in the quarterly results, incurred losses related to natural disasters were not aggregated.

## (Reference) Snow Damage in February 2014

◆ In 3Q FY2014, the positive impact on underwriting profit was ¥38.4 billion due to the reversal of catastrophic loss reserve.

### The impact of snow damage in February 2014

	(Billions of yen)				
	By the end of FY2013 (cumulative)	April to December 2014			By the end of 3Q FY2014 (cumulative)
	Total	Total	Fire & allied lines	Voluntary automobile	Total
Net claims paid	20.8	68.9	62.1	4.8	89.8
Provision of outstanding loss reserve	52.1	-48.5	-43.3	-3.6	3.6
Net Loss Occurred	73.0	20.3	18.8	1.1	93.4
Reversal of catastrophic loss reserve	8.4	58.8	54.0	4.8	67.2
Impact on underwriting profit	-64.6	38.4	35.1	3.6	-26.2

\* Impact of snow damage incurred from February 8, 2014 to February 19, 2014

\* The figures prior to September 1, 2014 are the sum of Sompo Japan and Nipponkoa.

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## Annualized New Premium and Annualized Premium in Force

- ◆ Increase in business in force keeps contributing to the trend of premium growth, especially in protection-type products.
- ◆ Annualized new premium in FY2014 is expected to increase due to the launch of new medical insurance products.

	3Q FY2013	3Q FY2014	Change	FY2013	FY2014 (Forecasts)
Amount of new business	1,945.2	1,765.4	-179.7 (-9.2%)	2,635.0	2,600.0
Annualized new premium	22.2	25.7	+3.4 (+15.6%)	30.4	43.6
Premium and other income	272.7	277.8	+5.0 (+1.9%)	372.8	381.2
(excl. lump-sum payment)	269.8	275.4	+5.6 (+2.1%)	369.0	377.8
Ordinary profit	12.4	22.0	+9.6 (+77.8%)	17.2	21.2
Net income	5.8	11.9	+6.0 (+103.0%)	8.0	11.0

	End of FY2013	End of 3Q FY2014	(Billions of yen) Change	(Billions of yen) Change
Amount of business in force	20,245.5	20,810.9	+565.3 (+2.8%)	+5.7
Annualized premium in force	308.5	315.1	+6.6 (+2.1%)	+0.8
				Total +6.6

Breakdown

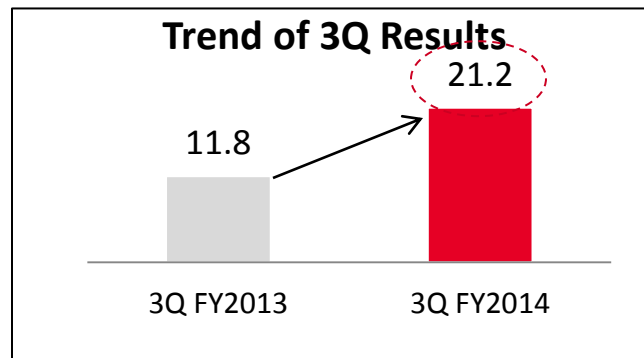
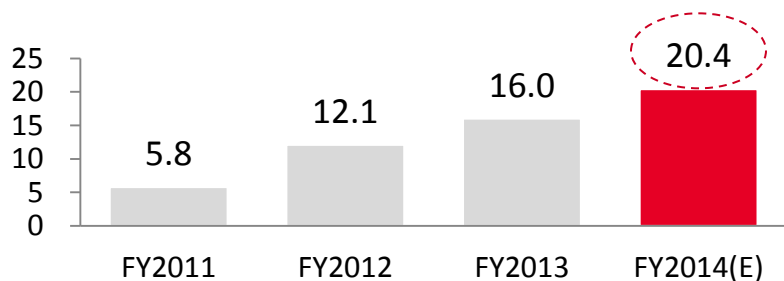
\* Amount of business and annualized premium are the sum of individual insurance and individual annuities.

# Profit (J-GAAP)

◆ Net income is steadily increasing due to growth of business in force.

## Basic profit\*

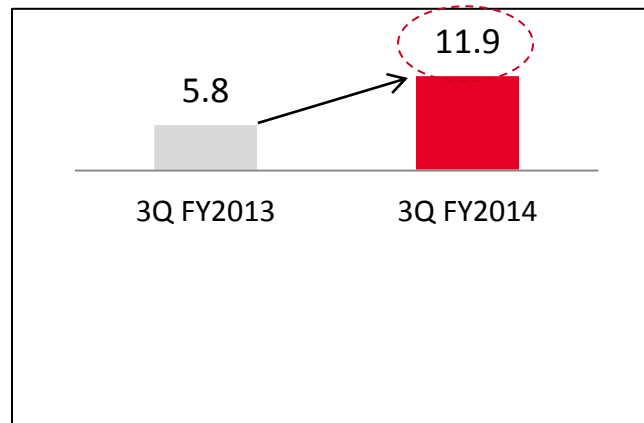
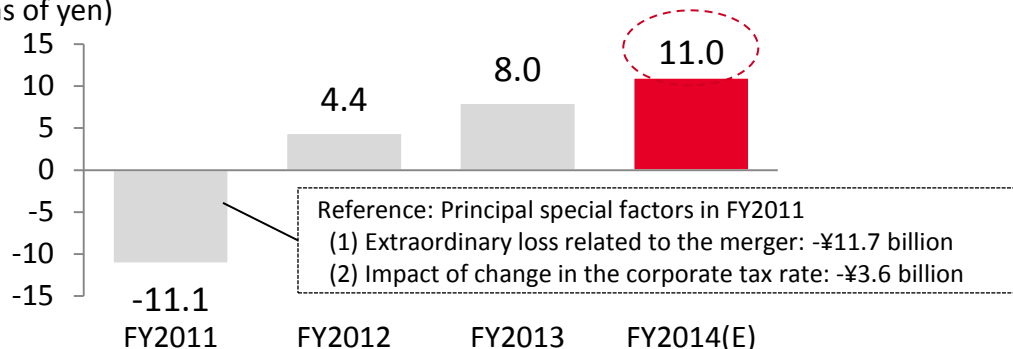
(Billions of yen)



\* Akin to a general business corporation's operating profit or a bank's business profit, basic profit is after deduction of capital gain or loss, such as gain or loss on the sale of securities from recurring profit, and one-time gains or losses such as provision for contingency reserve.

## Net income

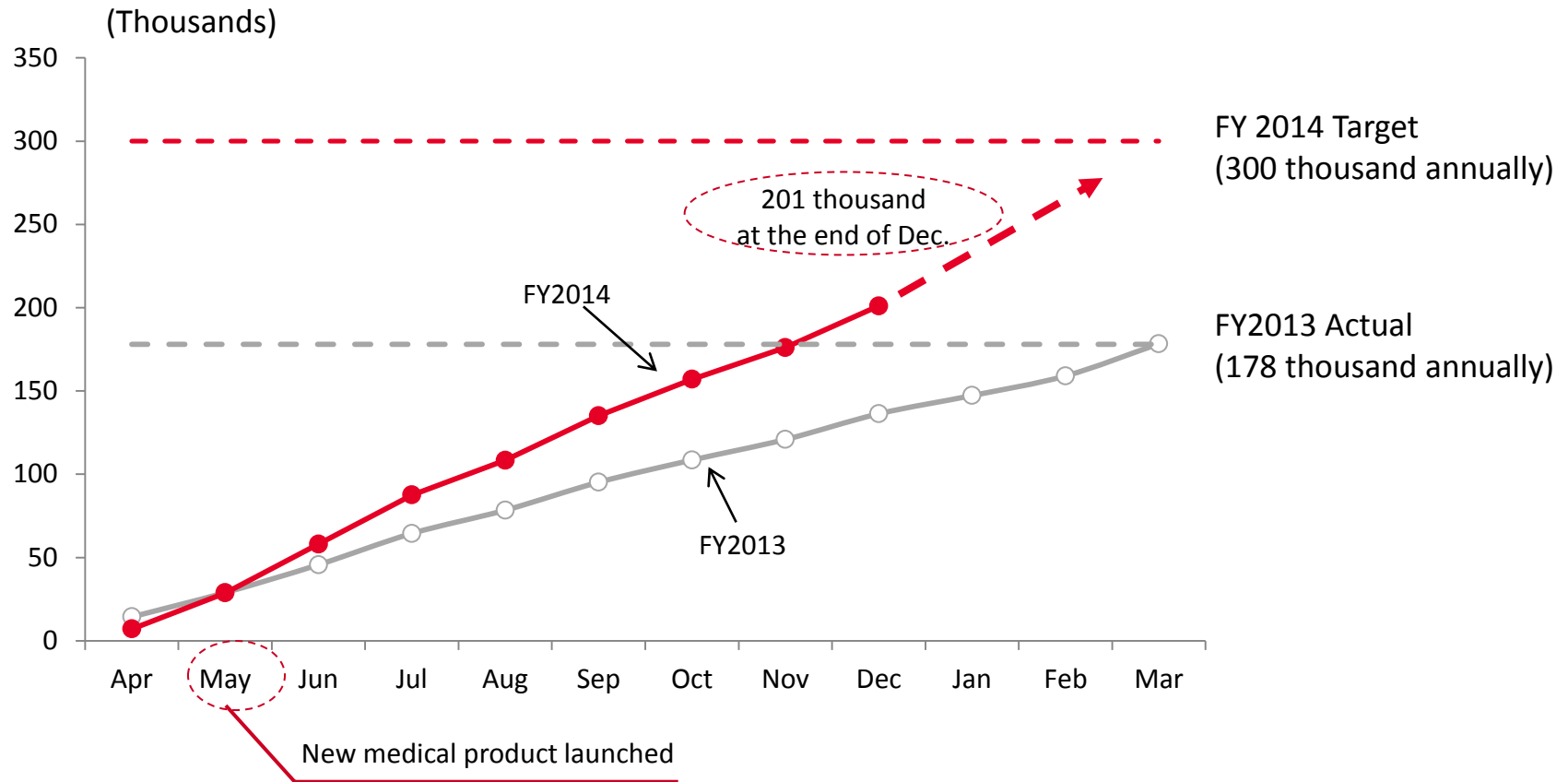
(Billions of yen)



# (Reference) Sales of Medical Insurance Products

◆ Medical insurance sold well due to the launch of new product.

## Number of sales of medical insurance



1. Trend of business results P. 2

2. Domestic P&C insurance P. 10

3. Domestic Life insurance P. 23

**4. Overseas insurance P. 27**

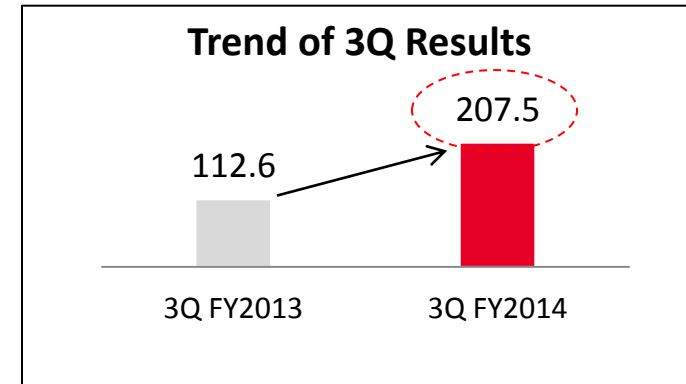
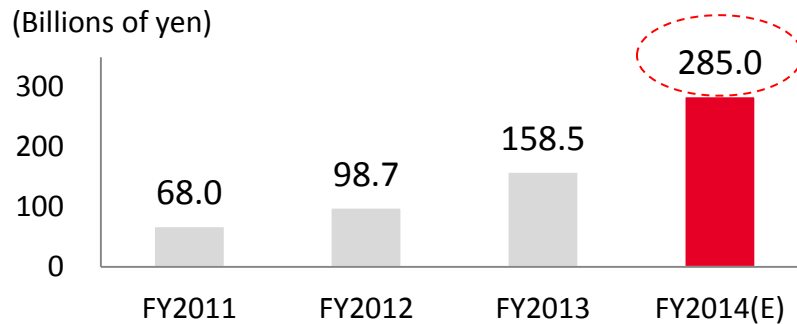
5. ERM & Capital Policy P. 31

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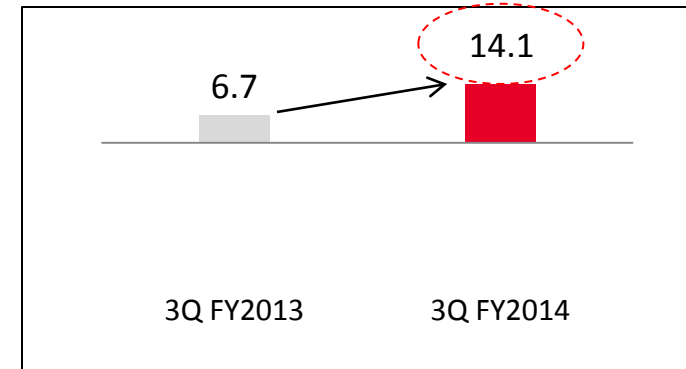
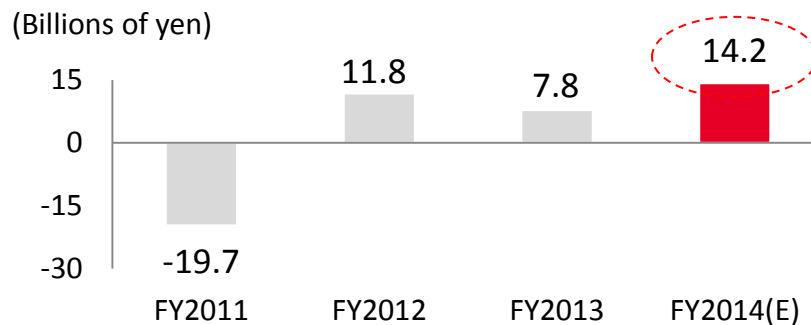
## Trend of Overseas Insurance Business

◆ Top-line doubled, and bottom-line almost achieved the FY2014 target in 3Q.

### Net premiums written



### Net income



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

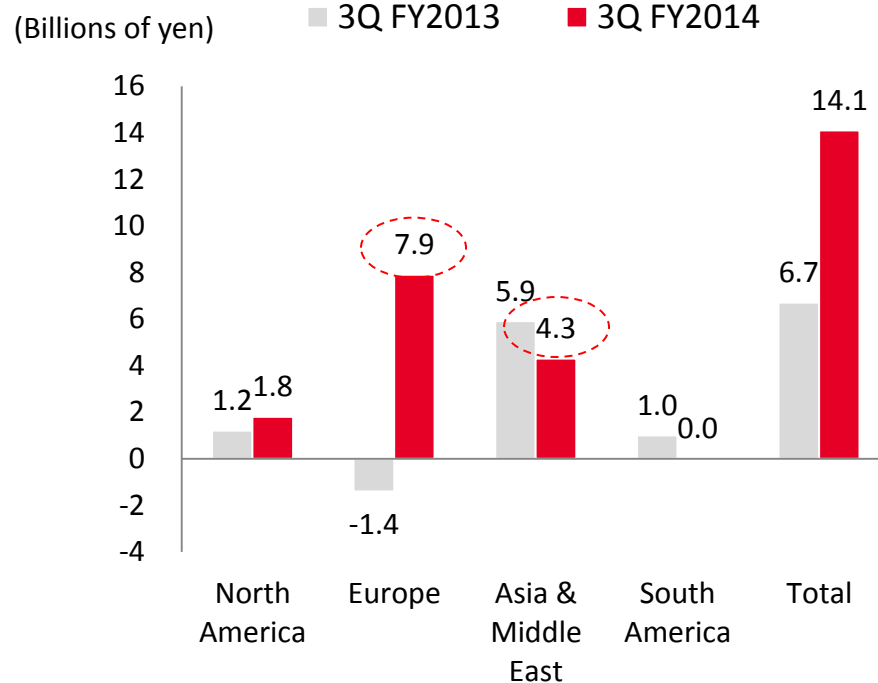
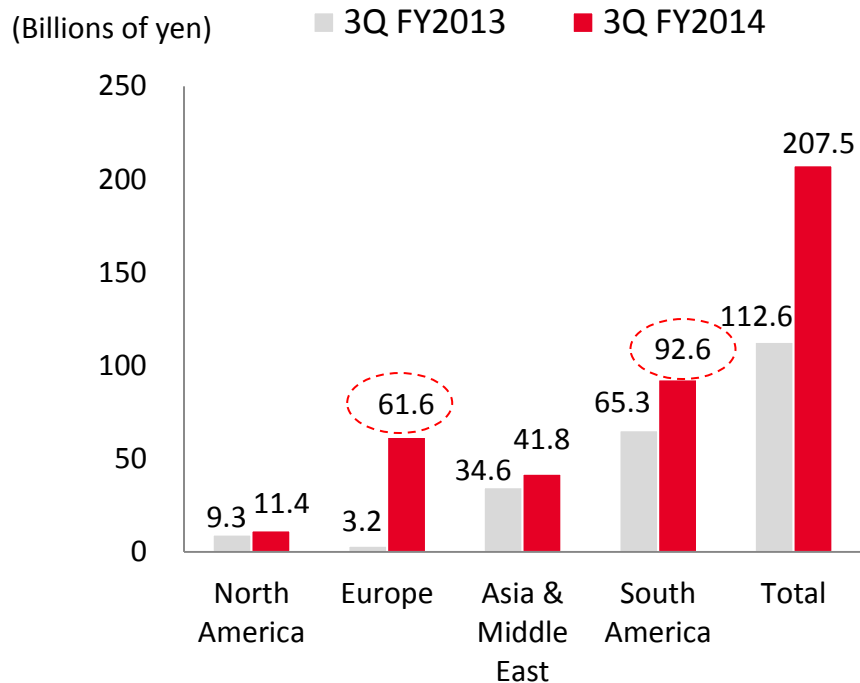
\* The net income figure has been adjusted to reflect shareholdings and other factors, and is stated on a different basis from that of the consolidated financial statements.

## Overview of Overseas Insurance Business Results by Region

- ◆ Net premiums written increased mainly in Europe and South America, and Europe and Asia & Middle East contributed to net income.

### Net premiums written (by region)

### Net income (by region)



- \* Net premiums written of subsidiaries and affiliates reflect holding shares of each company. This treatment does not coincide with financial statements.  
 \* The net income figure has been adjusted to reflect shareholdings and other factors, and is stated on a different basis from that of the consolidated financial statements.

## Results by Company

### Business results of overseas subsidiaries

(Billions of yen)

		Net premiums written			Net income			Key points in 3Q
		3Q FY2014	Change	FY2014 (Forecast)	3Q FY2014	Change	FY2014 (Forecast)	
North America	SJ America	11.4	+2.0	17.2	1.8	+0.6	1.2	In line with the plan.
Europe	SJNK Europe + NK Europe	3.6	+0.3	5.1	0.2	+1.7	0.3	Loss ratio steadily progressed.
	Canopius (UK)	58.0	+58.0	83.4	7.6	+7.6	7.9	Steadily contributed to profit.
Asia & Middle East	SJ Sigorta (Turkey)	15.4	+2.1	20.5	1.9	+0.2	1.5	Main product, automobile insurance, had good performance.
	Tenet Sompo (Singapore)	6.8	+2.5	8.7	0.4	-2.9	0.3	Both loss ratio and expense ratio progressed preferably. There was an impact of loss reserve for Thai floods (+¥3.1 bn.) in the previous year.
	Berjaya (Malaysia)	8.6	+1.7	10.8	1.1	+0.2	1.2	Both underwriting profit and investment profit steadily progressed.
	SJNK China + NK China	6.2	+0.0	7.7	0.3	+0.8	0.0	Positive impact from expense reduction.
	SJNK H.K. + NK Asia	2.9	+0.2	4.0	0.4	-0.0	0.3	In line with the plan.
	Other	1.7	+0.3	2.4	0.0	+0.1	-0.0	Almost at USGI (India).
South America	Yasuda Maritima (Brazil)	92.6	+27.2	124.7	0.0	-1.0	1.1	Taking measures to deal with decreasing profit due to rising loss ratio.
Total		207.5	+94.8	285.0	14.1	+7.4	14.2	—

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

\* The net income figure has been adjusted to reflect shareholdings and other factors, and is stated on a different basis from that of the consolidated financial statements. (We adjusted Canopius' consolidated profits that had been realized before the completion of the acquisition in May 2014.)

1. Trend of business results P. 2

2. Domestic P&C insurance P. 10

3. Domestic Life insurance P. 23

4. Overseas insurance P. 27

**5. ERM & Capital Policy P. 31**

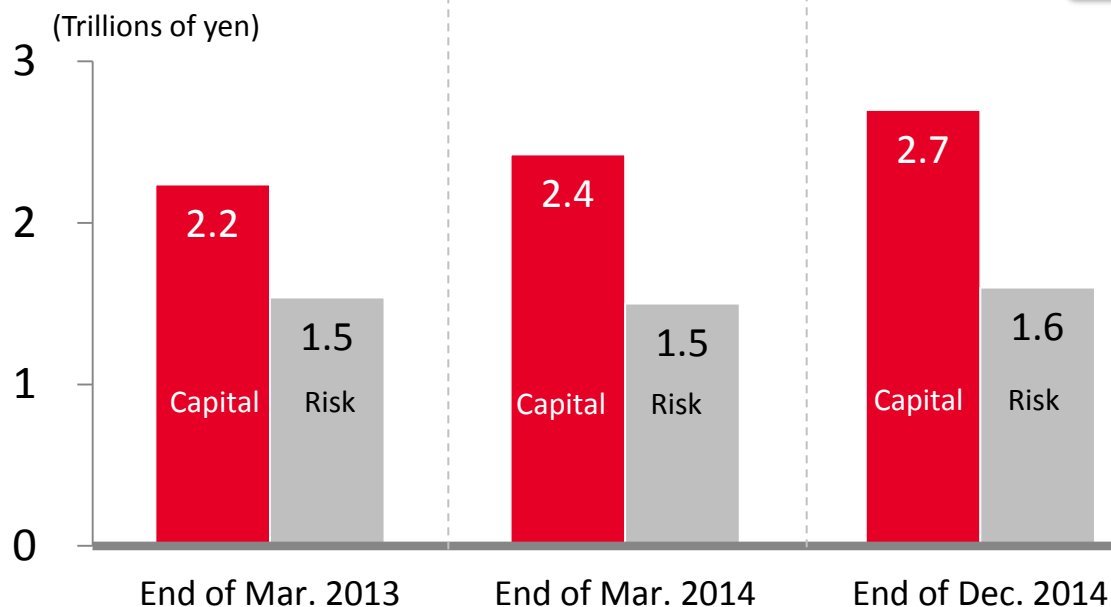
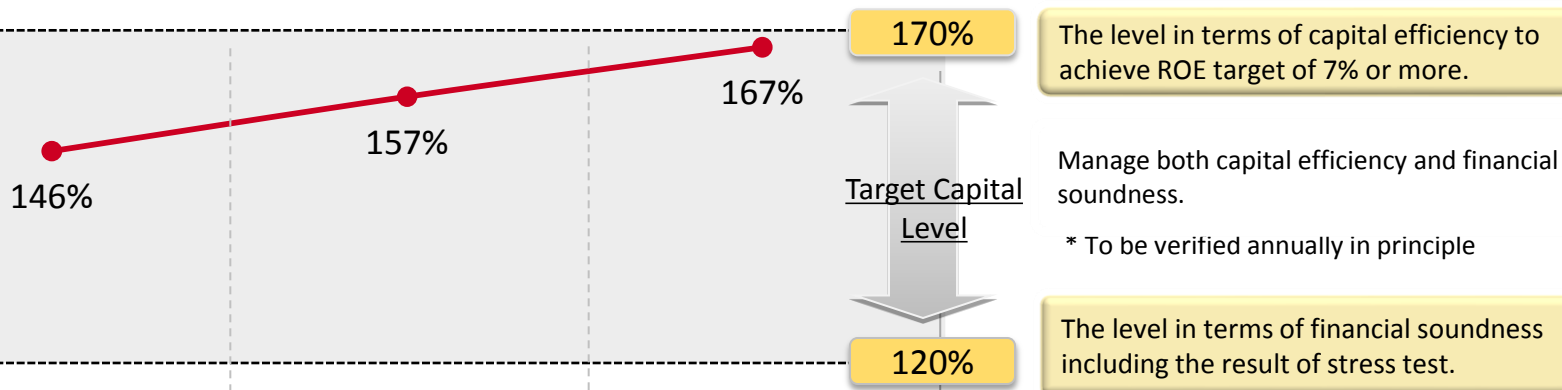
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## Financial soundness – Internal Solvency Ratio

◆ Internal solvency ratio keeps within target capital level (120% - 170%).

### Trends of internal solvency ratio



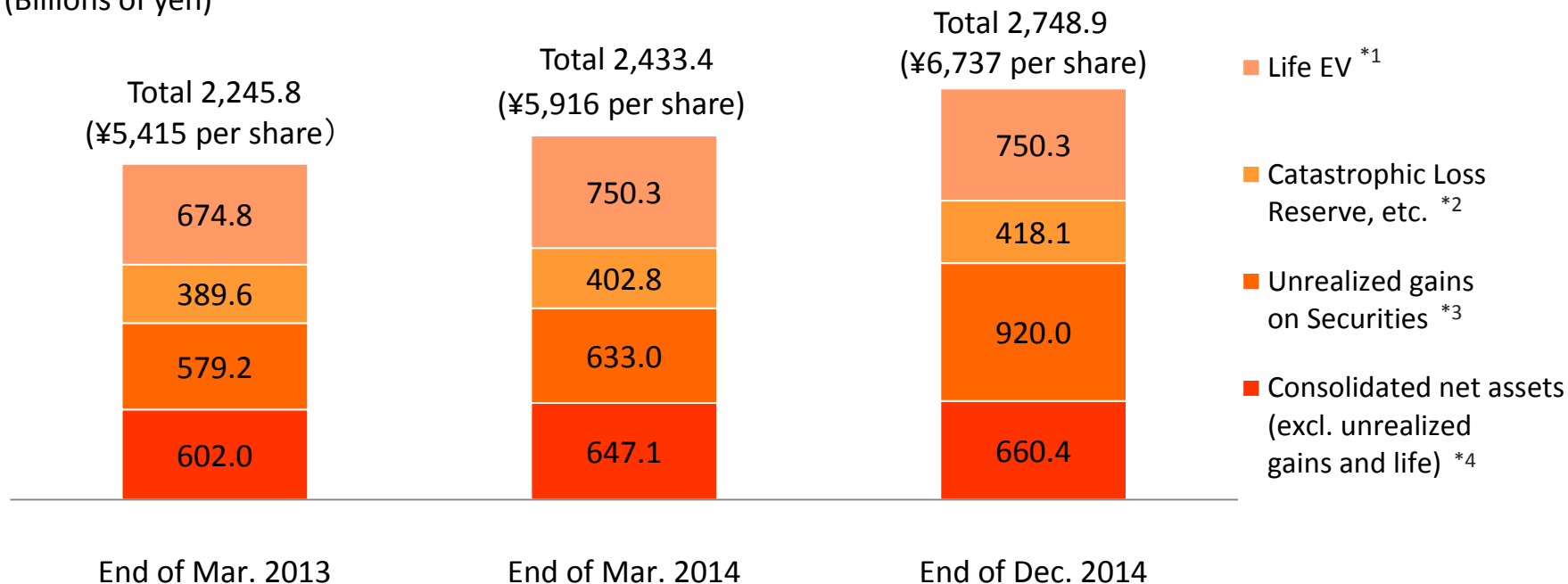
Definition, etc.

- Risk: 1 year holding period, 99.95% VaR (AA equivalent confidence level)
- Capital: Sum of net assets, subordinated debt, catastrophic loss reserve, reserve for price fluctuations, etc. on the balance sheet.
- After-tax basis (calculated according to European Solvency II)
- Internal solvency ratio: Capital / Risk

## (Reference) Adjusted Consolidated Net Assets

### Trends of adjusted consolidated net assets

(Billions of yen)



\*1 Life insurance EV is the nominal price before deduction of changes in EV attributable to interest rate movements. However, in the case of adjusted profit, which is the subject of the management plan, the growth in EV is the value after deduction of changes in EV attributable to interest rate movements. As EV is calculated annually, the figure as of the end of December 2014 is the same as that as of the end of March 2014.

\*2 Catastrophic loss reserve, etc. is the total of catastrophic loss reserve after tax plus price fluctuation reserve after tax.

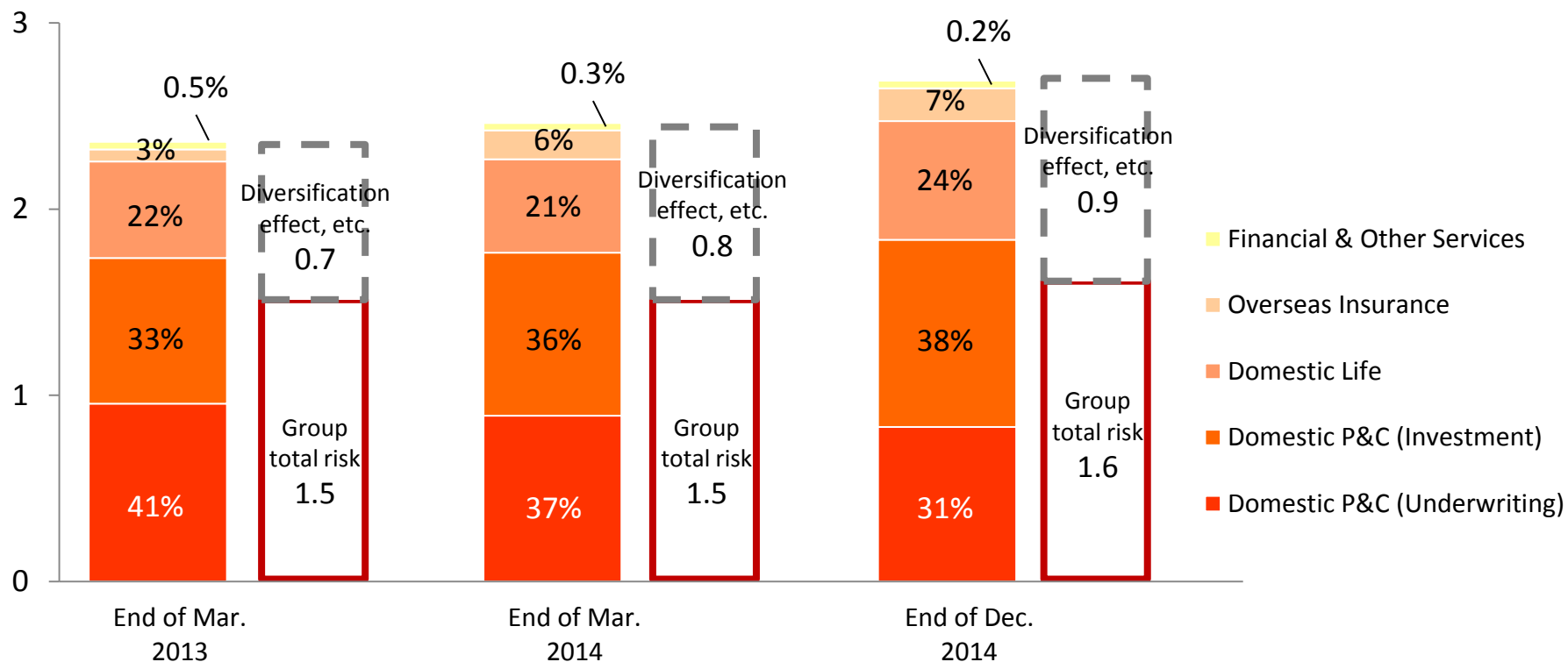
\*3 Unrealized gains/losses on securities are after tax.

\*4 Consolidated net assets exclude Himawari Life Insurance's net assets and the unrealized gains/losses on securities.

## (Reference) Breakdown of Risk

### Breakdown of risk by business

(Trillions of yen)



(Definition, etc.) Risk amount of each business:

99.95% VaR before reflecting risk diversification effect among businesses and before-tax basis.

Group total risk:

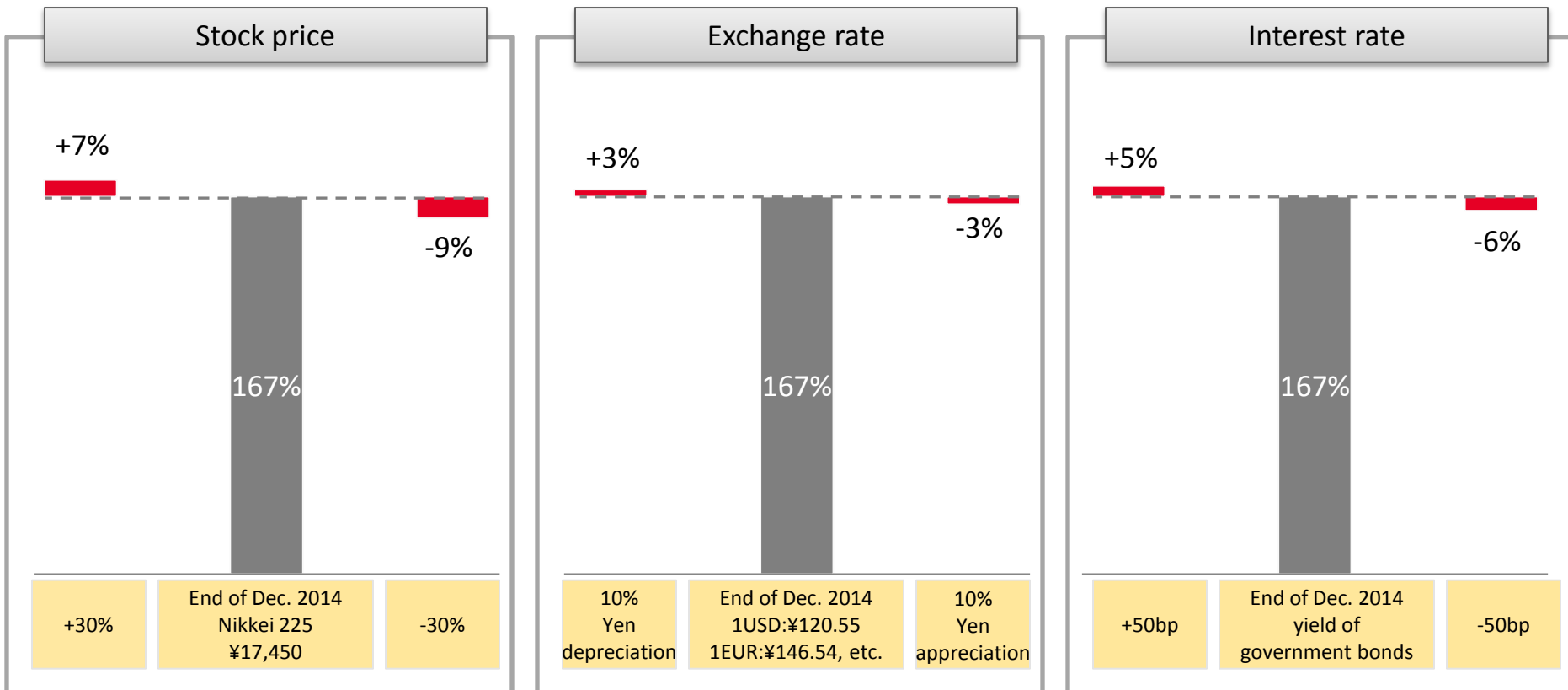
Sum of risk amount of each business less risk diversification effect among businesses and tax impact.

# Market Sensitivity

◆ Aim to control market sensitivity appropriately.

## Market sensitivity of internal solvency ratio

■ : Internal solvency ratio ■ : Change

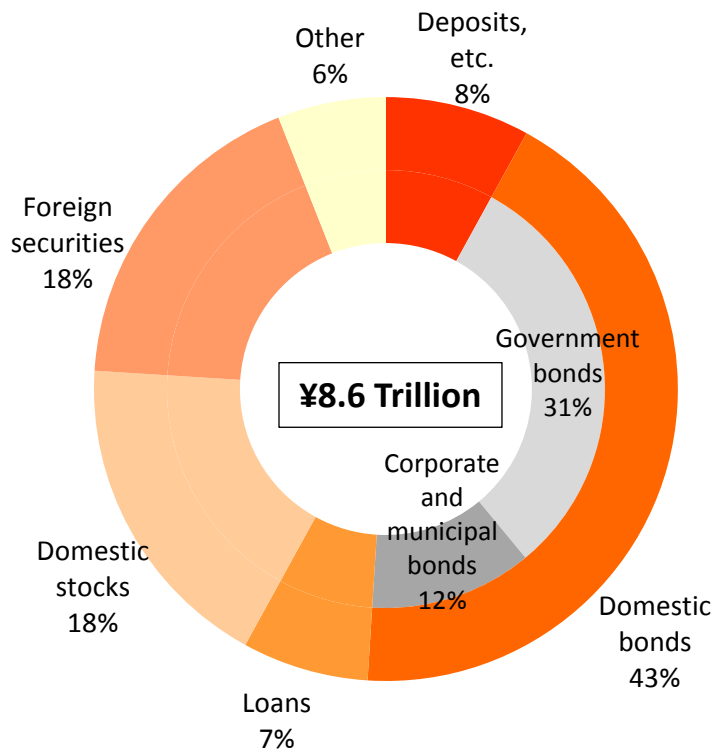


## Asset Portfolio (Group-wide)

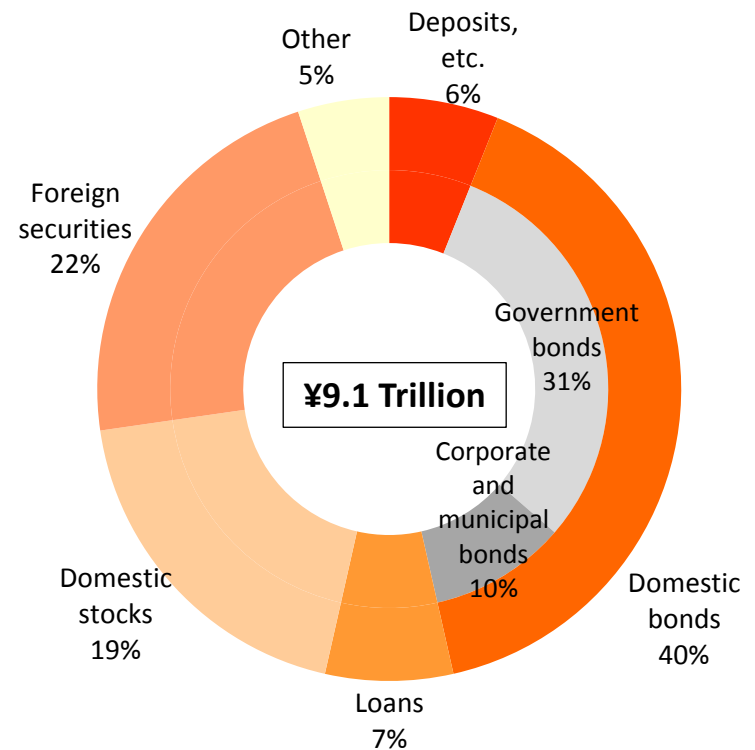
- ◆ Aim at stable investment profit through the ALM, considering the character of liability and liquidity.
- ◆ Continue to sell the domestic stocks according to the plan for reduction of strategic-holding stocks.

### Amount of investment assets (Group consolidated base)

End of Mar. 2014



End of Dec. 2014

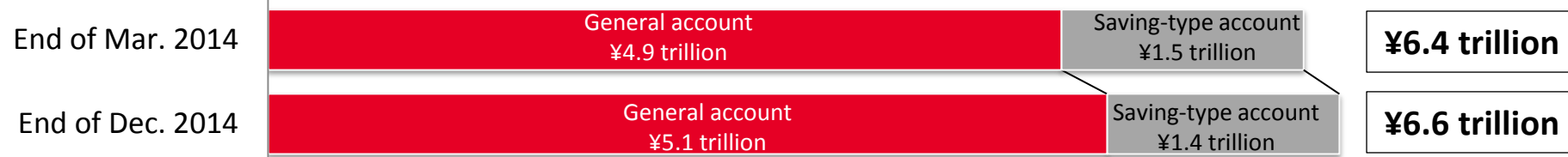


\* Other includes lands, buildings and stocks of non-consolidated subsidiaries, etc.

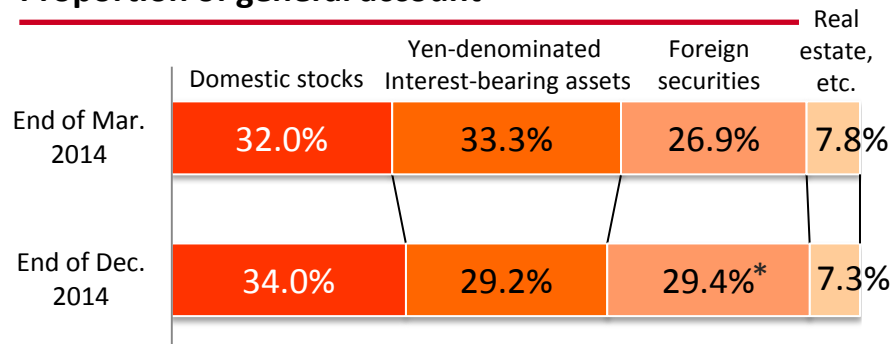
## Asset Portfolio (Sompo Japan Nipponkoa, non-consolidated)

- ◆ The general account is managed with diversified investments while the saving-type account utilizes portfolio management based on ALM.

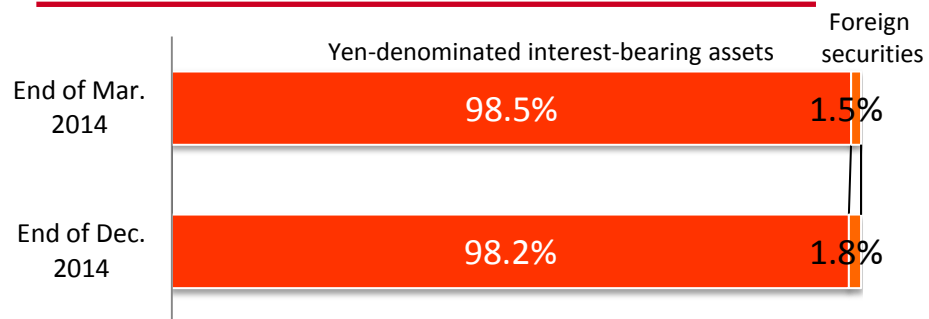
### Amount of investment assets (Sompo Japan Nipponkoa, non-consolidated)



### Proportion of general account



### Proportion of saving-type account



\* Breakdown of foreign securities (foreign currencies) (End of Dec. 2014)

	USD	EUR	Others	Total
Bonds	26%	16%	11%	52%
Funds, etc.	23%	0%	1%	25%
Subsidiaries, affiliates	4%	0%	19%	23%
Total	53%	16%	31%	100%

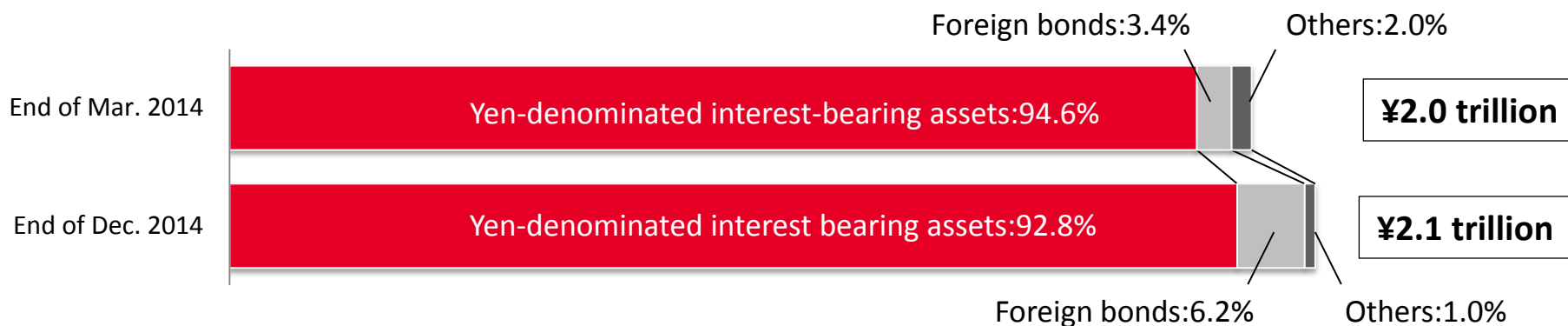
### Asset/Liability Duration (Saving-type)

	End of Mar. 2014	End of Dec. 2014
Asset	4.8y	4.4y
Liability	6.1y	6.3y

## Asset Portfolio (Himawari Life, non-consolidated)

- ◆ Maintained a conservative asset portfolio, which mainly consists of yen-dominated interest-bearing assets.

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



### Asset/Liability Duration

	End of Mar. 2014	End of Dec. 2014
Asset	12.9y	13.4y
Liability	16.4y	18.5y

(Note) Duration is adjusted based on the difference of amount balance of asset and liability to control duration gap appropriately.

## Reducing strategic-holding stocks

- ◆ The reduction, including stock future, amounted to ¥72.2 billion in 3Q FY2014, and in line with the fiscal year plan.

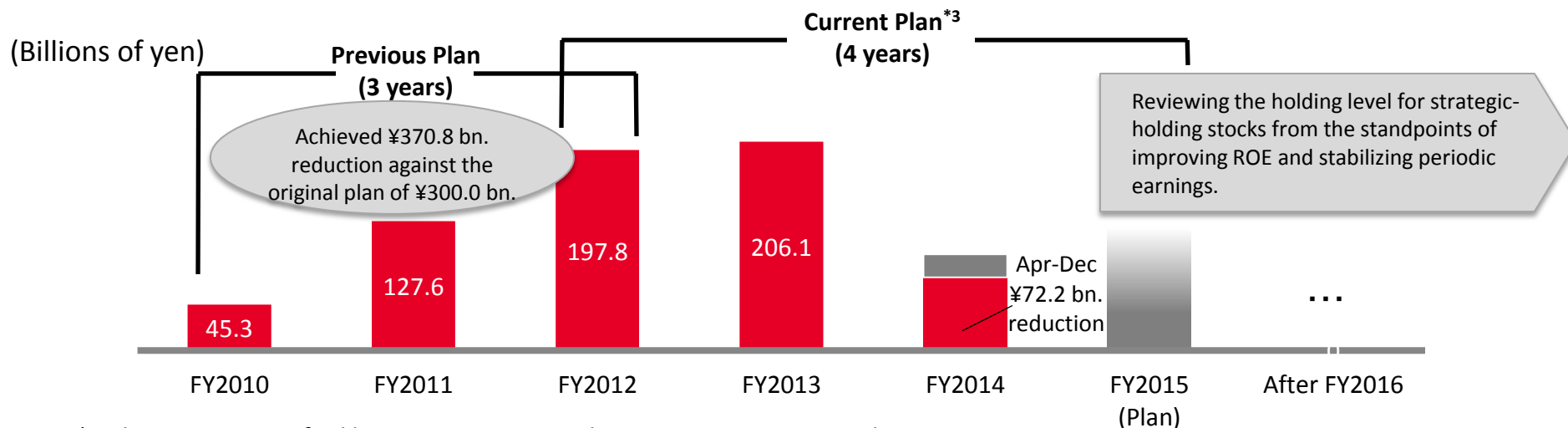
### Net reduction from April to December in FY2014 <sup>\*1</sup>

	Actual	Stock Futures <sup>*2</sup>	Total
Sompo Japan Nipponkoa	¥45.7 billion	¥26.4 billion	¥72.2 billion

<sup>\*1</sup> Net reduction means “market value of sales minus market value of purchase.”  
In addition to the figures shown, the exposure of domestic stock of ¥30 billion decreased due to the cancellation of preferred shares.

<sup>\*2</sup> Short position of Nikkei 225 Futures.

### Progress of the plan for reduction of strategic-holding stocks

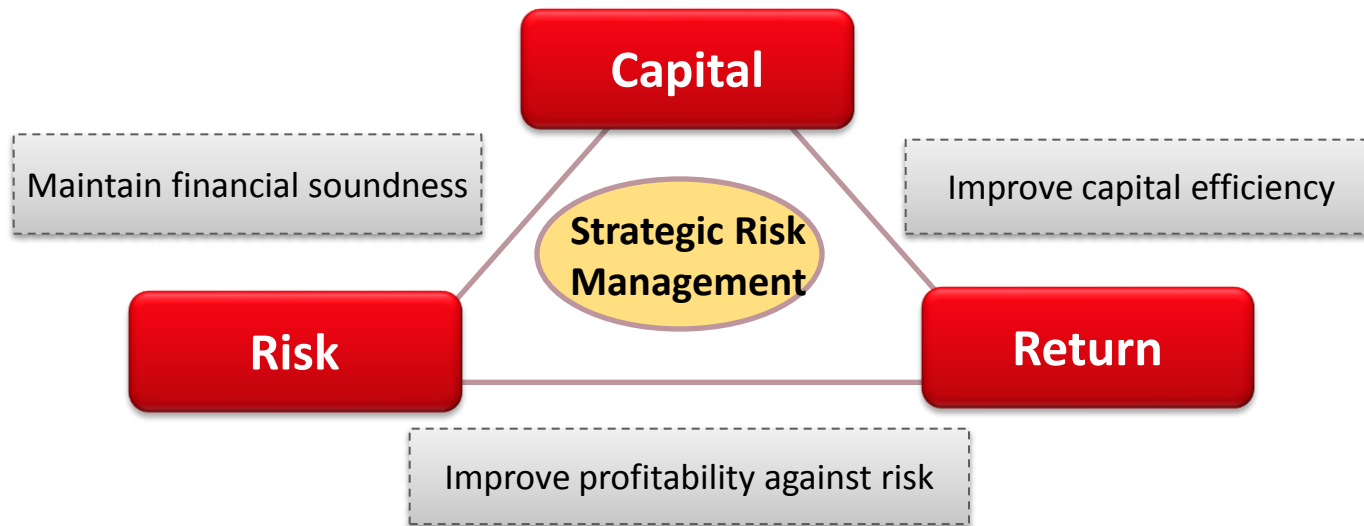


<sup>\*3</sup> The assumption of Nikkei 225 is ¥10,500 in the current management plan.



## (Reference) Strategic Risk Management (ERM)

- ◆ Develop Strategic Risk Management (ERM) which is mixture of business strategy and risk management.
- ◆ Aim to maximize the corporate value based on Risk Appetite Principles by controlling the balance among capital, return and risk appropriately.



### Risk Appetite Principles

SOMPO Holdings aims to:

- (1) Control the balance among capital, return, and risk appropriately, maximize corporate value by improving capital efficiency, and become a globally competitive group.
- (2) Gain greater profit by taking risks via financial and other services in addition to insurance underwriting and investment.
- (3) Retain competitiveness among global insurers by maintaining financial soundness with a target credit rating of AA.
- (4) Maintain the stable return, and target adjusted ROE of 7% or more in FY2015 to ensure group's sustainable growth.

1. Trend of business results P. 2

2. Domestic P&C insurance P. 10

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4. Overseas insurance P. 27

5. ERM & Capital Policy P. 31

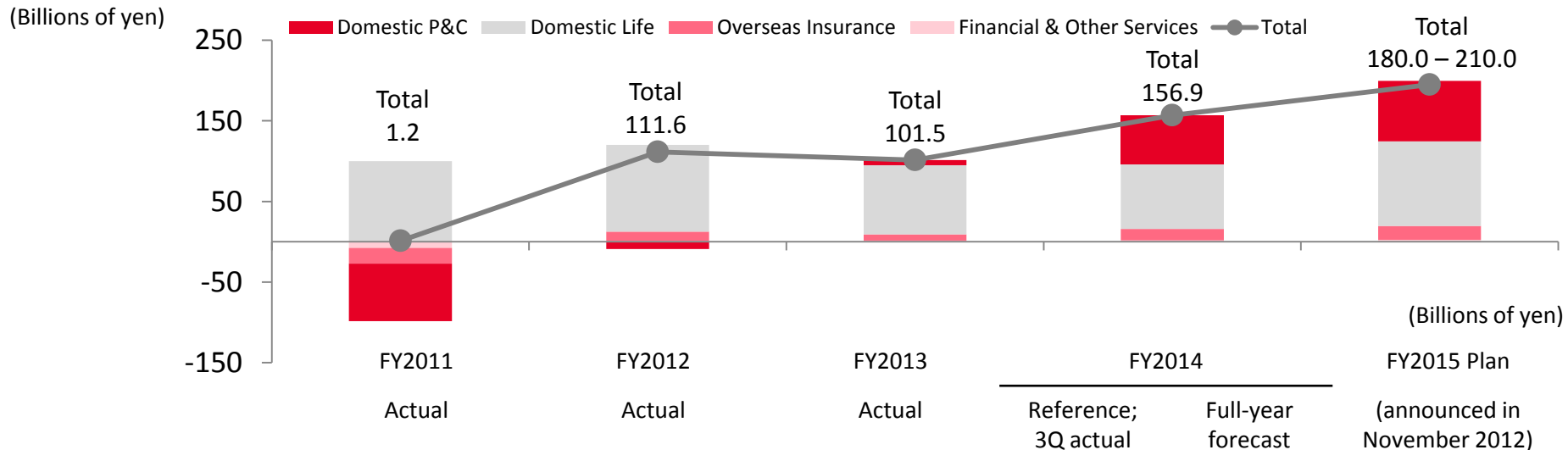
**Appendix**

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# Progress of Management Plan

◆ Profitability including automobile insurance is on the improving trend. This increased the likelihood of achieving our targets for FY2015.

## Progress of management plan



	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Reference; 3Q actual	FY2014 Full-year forecast	FY2015 Plan (announced in November 2012)
Domestic P&C	-71.3	-8.9	6.5	56.3	60.9	70.0 – 80.0
Domestic Life	100.0	107.8	85.7	—	80.0	100.0 – 110.0
Overseas Insurance	-19.7	11.8	7.8	14.1	14.2	14.0 – 20.0
Financial & Other Services	-7.6	0.7	1.5	1.3	1.7	2.0 – 3.0
<b>Total (consolidated adjusted profit)</b>	<b>1.2</b>	<b>111.6</b>	<b>101.5</b>	<b>—</b>	<b>156.9</b>	<b>180.0 – 210.0</b>
<b>Adjusted ROE</b>	<b>0.1%</b>	<b>5.4%</b>	<b>4.3%</b>	<b>—</b>	<b>6.2%</b>	<b>Over 7%</b>

\* Special factors, such as extraordinary losses related to the merger, are excluded to calculate adjusted profit.

The amounts after tax are ¥17.6 billion in FY2012, ¥26.7 billion in FY2013, approximately ¥61.0 billion in FY2014 and approximately ¥3.4 billion in FY2015.

\* Saison Automobile & Fire and Sonpo 24 were classified as financial and other services in FY2011.

\* Definition of each business, adjusted profit and adjusted ROE are shown on page 44. 42

## Consolidated Performance – J-GAAP Base

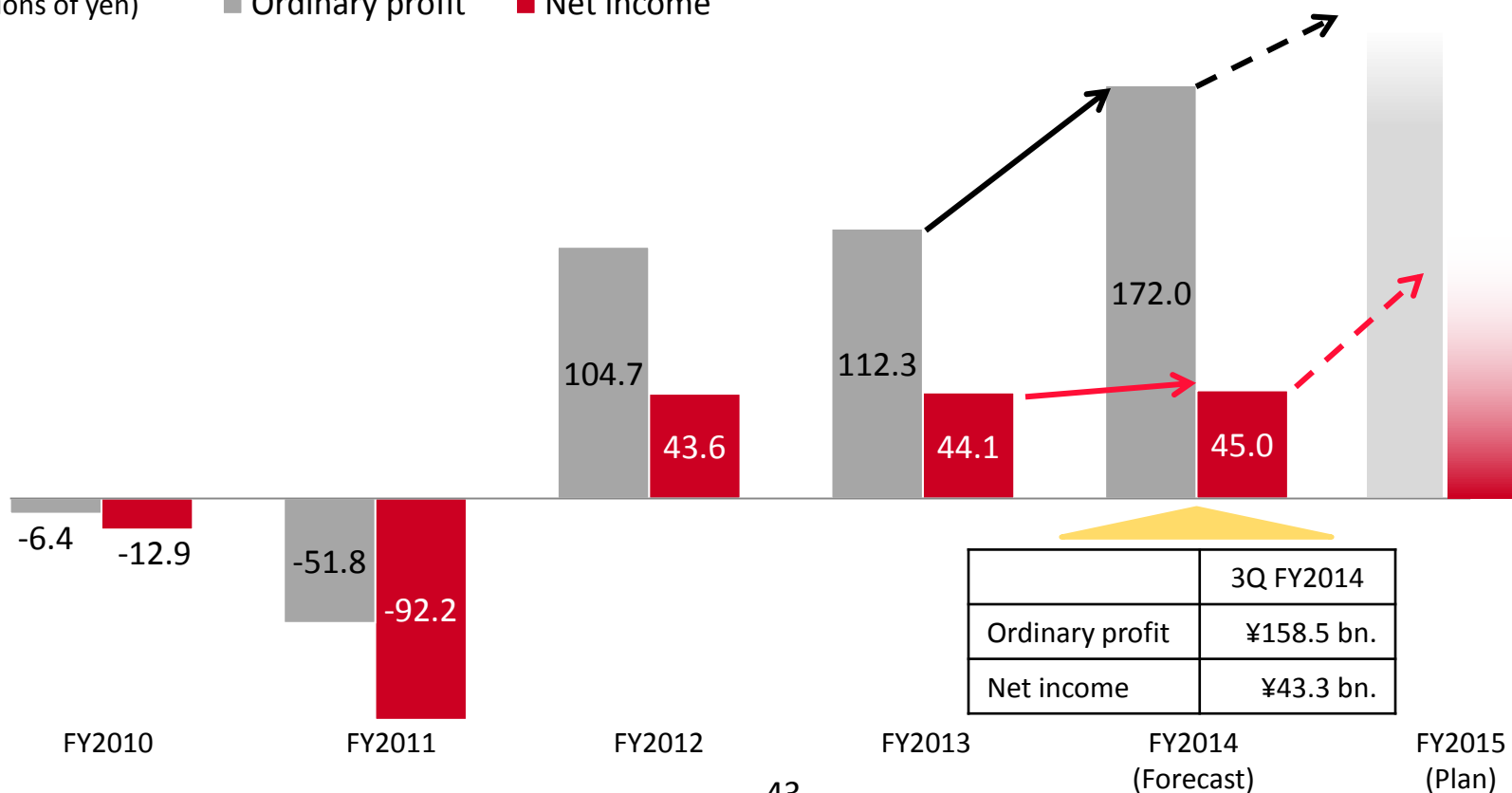
- ◆ Ordinary profit: Increasing trend of net income is on going due to the improvement of profitability in domestic P&C insurance.
- ◆ Net income: One-time merger costs have negative impact on net income in FY2014, but significant improvement is expected in FY2015.

### Trends of ordinary profit and net income

(Billions of yen)

■ Ordinary profit

■ Net income



## Definition of Adjusted Profit

Definition of Business		Calculation Method for Adjusted Profit
<b>Domestic P&amp;C Insurance</b>	Total of Sompo Japan Nipponkoa, Sonpo 24 and Saison Automobile & Fire (non-consolidated)	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
<b>Domestic Life Insurance</b>	Himawari Life	Growth in Embedded Value (EV) - Capital transactions such as equity issuance - Changes in EV attributable to fluctuation of interest rates, etc.
<b>Overseas Insurance</b>	Overseas insurance subsidiaries	Net income
<b>Financial and Other Services</b>	Financial services, Healthcare business, etc.	Net income

### (Calculation Method for Adjusted Consolidated ROE)

$$\text{Adjusted Consolidated ROE} = \frac{\text{Adjusted consolidated profit}}{\text{Consolidated net assets (excluding life insurance subsidiaries' net assets) + Catastrophic loss reserve (after tax) + Reserve for price fluctuation (after tax) + Life insurance subsidiaries' EV}}$$

\*The denominator is the average balance at the end/start of each fiscal year.

## 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.

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