

UNOFFICIAL TRANSLATION

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February 14, 2020

Sompo Holdings, Inc.**Summary of Consolidated Financial Results for the nine months ended December 31, 2019
[Under Japanese GAAP]**

Company Name: Sompo Holdings, Inc.
Listed on: Tokyo Stock Exchange
Securities Code: 8630
URL: <https://www.sompo-hd.com/en/>
Representative: Kengo Sakurada, Group CEO, Director, President and Representative Executive Officer
Scheduled date to file Quarterly Securities Report: February 14, 2020
Scheduled date to start payment of dividends: _____
Supplementary information for quarterly financial statements: Yes
Schedule for quarterly investor meeting: None

Note) Amounts less than one million yen are rounded down.

1. Consolidated Financial Results for the nine months ended December 31, 2019 (April 1 to December 31, 2019)**(1) Consolidated Results of Operations (accumulated)**

Note) Percentages are changes from corresponding period of previous fiscal year.

	Ordinary income		Ordinary profit		Net income attributable to shareholders of the parent	
	millions of yen	%	millions of yen	%	millions of yen	%
Nine months ended December 31, 2019	2,827,731	3.8	153,922	(5.8)	108,742	(8.2)
Nine months ended December 31, 2018	2,724,530	(4.6)	163,396	52.0	118,433	(13.7)

Note) Comprehensive income: Nine months ended December 31, 2019 119,475 million yen — %
Nine months ended December 31, 2018 (106,013) million yen — %

	Net income per share	Diluted net income per share
	yen	yen
Nine months ended December 31, 2019	295.88	295.68
Nine months ended December 31, 2018	316.46	316.22

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio
	millions of yen	millions of yen	%
As of December 31, 2019	12,148,151	1,810,656	14.8
As of March 31, 2019	12,018,254	1,779,911	14.6

Reference) Equity capital: As of December 31, 2019 1,794,201 million yen
As of March 31, 2019 1,757,879 million yen

2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual
	yen	yen	yen	yen	yen
Fiscal year ended March 31, 2019	—	65.00	—	65.00	130.00
Fiscal year ending March 31, 2020	—	75.00	—		
Fiscal year ending March 31, 2020 (Forecast)				75.00	150.00

Note) Revisions to the latest announced dividends forecasts: None

3. Forecasts of Consolidated Financial Results for the fiscal year ending March 31, 2020 (April 1, 2019 to March 31, 2020)

Note) Percentages are changes from previous fiscal year.

	Ordinary profit		Net income attributable to shareholders of the parent		Net income per share
	millions of yen	%	millions of yen	%	yen
Full year	185,000	(7.0)	118,000	(19.5)	324.06

Note) Revisions to the latest announced forecasts of financial results: None

(Notes)

(1) Changes in significant subsidiaries during the nine months ended December 31, 2019 (changes in specified subsidiaries resulting in changes in the scope of consolidation): Yes

Increase: 1 (Company Name: Sampo International Holdings Brasil Ltda.)

(2) Application of accounting methods used specifically for the preparation of the quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimations, and retrospective restatements

① Changes in accounting policies due to revisions to accounting standards, etc.: None

② Changes in accounting policies due to reasons other than the above: Yes

③ Changes in accounting estimations: None

④ Retrospective restatements: None

(4) Number of shares outstanding (Common stock):

① Total shares outstanding including treasury stock:

As of December 31, 2019 373,330,489 shares

As of March 31, 2019 373,330,489 shares

② Treasury stock:

As of December 31, 2019 9,204,614 shares

As of March 31, 2019 904,330 shares

③ Average number of shares outstanding:

For the nine months ended December 31, 2019 367,519,027 shares

For the nine months ended December 31, 2018 374,239,836 shares

(Expression of implementation status of quarterly review procedures)

This summary is not subject to quarterly reviews by a certified public accountant or an incorporated accounting firm.

(Notes for using forecasts of financial results, etc.)

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

Qualitative Information Related to Consolidated Financial Results for the nine months ended December 31, 2019

(1) Qualitative Information Related to Consolidated Results of Operations

During the nine months ended December 31, 2019, the global economy continued to gradually recover as a whole. Manufacturing production and trade activity show signs of having bottomed out reflecting the progress in the U.S. - China trade negotiations. Although exports have continued to show some weakness due mainly to the effects of natural disasters, the Japanese economy is expected to be on a moderate increasing trend, supported by a rebound in personal consumption reflecting improvement in employment conditions.

Under these circumstances, the consolidated financial results of Sompo Holdings Group (“SOMPO HOLDINGS”) for the nine months ended December 31, 2019 were as follows:

Ordinary income increased by 103.2 billion yen to 2,827.7 billion yen compared with the same period last year, the components of which were underwriting income of 2,527.0 billion yen, investment income of 184.6 billion yen and other ordinary income of 116.0 billion yen. Meanwhile, ordinary expenses increased by 112.6 billion yen to 2,673.8 billion yen compared with the same period last year, the components of which were underwriting expenses of 2,158.9 billion yen, investment expenses of 14.4 billion yen, operating, general and administrative expenses of 395.8 billion yen and other ordinary expenses of 104.5 billion yen.

As a result of the foregoing, Sompo Holdings, Inc. (the “Company”) reported ordinary profit, calculated as ordinary income minus ordinary expenses, of 153.9 billion yen, a decrease of 9.4 billion yen from the same period last year.

The Company posted net income attributable to shareholders of the parent, after extraordinary items, net of income taxes and deferred income taxes and others, of 108.7 billion yen, a decrease of 9.6 billion yen from the same period last year.

(2) Qualitative Information Related to Consolidated Financial Condition

Total assets as of December 31, 2019 amounted to 12,148.1 billion yen on a consolidated basis, an increase of 129.8 billion yen from March 31, 2019. Total net assets as of December 31, 2019 amounted to 1,810.6 billion yen on a consolidated basis, an increase of 30.7 billion yen from March 31, 2019.

(3) Qualitative Information Related to the Forecasts of Consolidated Financial Results

For the fiscal year ending March 31, 2020, the Company is forecasting consolidated ordinary profit of 185.0 billion yen and net income attributable to shareholders of the parent of 118.0 billion yen. There is no change from the forecasts in the summary of consolidated financial results disclosed on November 19, 2019.

Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

	(Millions of yen)	
	As of March 31, 2019	As of December 31, 2019
Assets:		
Cash and deposits	971,469	950,000
Receivables under resale agreements	64,999	64,999
Monetary receivables bought	11,869	15,932
Money trusts	40,993	40,122
Securities	8,012,734	8,209,099
Loans	703,255	693,890
Tangible fixed assets	355,144	372,337
Intangible fixed assets	401,165	401,548
Other assets	1,447,194	1,392,262
Net defined benefit asset	207	264
Deferred tax assets	15,663	14,251
Allowance for possible credit losses	(6,442)	(6,558)
Total assets	<u>12,018,254</u>	<u>12,148,151</u>
Liabilities:		
Underwriting funds:	8,348,638	8,528,958
Reserve for outstanding losses and claims	1,559,910	1,576,918
Underwriting reserves	6,788,727	6,952,040
Corporate bonds	510,383	503,096
Other liabilities	1,113,887	1,039,636
Net defined benefit liability	103,796	108,131
Reserve for retirement benefits to directors	31	34
Reserve for bonus payments	30,363	13,799
Reserve for bonus payments to directors	261	—
Reserve for stocks payments	1,347	1,619
Reserves under the special laws:	90,722	94,207
Reserve for price fluctuation	90,722	94,207
Deferred tax liabilities	38,910	48,011
Total liabilities	<u>10,238,342</u>	<u>10,337,494</u>
Net assets:		
Shareholders' equity:		
Common stock	100,045	100,045
Capital surplus	244,170	244,129
Retained earnings	712,745	774,646
Treasury stock	(2,902)	(38,839)
Total shareholders' equity	<u>1,054,058</u>	<u>1,079,982</u>
Accumulated other comprehensive income:		
Unrealized gains and losses on securities available for sale	763,859	810,611
Deferred gains and losses on hedges	6,449	5,379
Foreign currency translation adjustments	(62,937)	(98,504)
Remeasurements of defined benefit plans	(3,551)	(3,267)
Total accumulated other comprehensive income	<u>703,820</u>	<u>714,219</u>
Stock acquisition rights	632	551
Non-controlling interests	21,399	15,903
Total net assets	<u>1,779,911</u>	<u>1,810,656</u>
Total liabilities and net assets	<u>12,018,254</u>	<u>12,148,151</u>

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
 Quarterly Consolidated Statement of Income
 Nine months ended December 31, 2019

	(Millions of yen)	
	Nine months ended December 31, 2018 (April 1 to December 31, 2018)	Nine months ended December 31, 2019 (April 1 to December 31, 2019)
Ordinary income:	2,724,530	2,827,731
Underwriting income:	2,435,916	2,527,039
Net premiums written	2,065,819	2,147,120
Deposits of premiums by policyholders	84,635	90,883
Interest and dividend income on deposits of premiums, etc.	27,982	27,384
Life insurance premiums written	254,523	259,054
Investment income:	180,347	184,639
Interest and dividend income	143,821	149,667
Investment gains on money trusts	4,611	2,086
Investment gains on trading securities	362	802
Gains on sales of securities	54,592	56,871
Transfer of interest and dividend income on deposits of premiums, etc.	(27,982)	(27,384)
Other ordinary income	108,266	116,051
Ordinary expenses:	2,561,134	2,673,809
Underwriting expenses:	2,037,798	2,158,911
Net claims paid	1,283,821	1,217,291
Loss adjustment expenses	99,182	97,765
Net commissions and brokerage fees	378,433	393,260
Maturity refunds to policyholders	152,248	160,196
Life insurance claims paid and other payments	66,676	69,472
Provision for reserve for outstanding losses and claims	28,160	36,658
Provision for underwriting reserves	22,246	177,153
Investment expenses:	20,988	14,446
Investment losses on money trusts	988	112
Losses on sales of securities	8,218	5,333
Impairment losses on securities	7,341	2,387
Operating, general and administrative expenses	406,214	395,878
Other ordinary expenses:	96,133	104,572
Interest paid	10,547	10,633
Ordinary profit	<u>163,396</u>	<u>153,922</u>
Extraordinary gains:	273	1,602
Gains on disposal of fixed assets	273	1,602
Extraordinary losses:	5,308	8,441
Losses on disposal of fixed assets	857	1,844
Impairment losses	—	1,372
Provision for reserves under the special laws:	3,523	3,485
Provision for reserve for price fluctuation	3,523	3,485
Other extraordinary losses	926	1,738
Net income before income taxes	<u>158,362</u>	<u>147,082</u>
Income taxes and deferred income taxes	<u>42,048</u>	<u>37,856</u>
Net income	<u>116,313</u>	<u>109,226</u>
Net income (loss) attributable to non-controlling shareholders	<u>(2,120)</u>	<u>484</u>
Net income attributable to shareholders of the parent	<u>118,433</u>	<u>108,742</u>

Quarterly Consolidated Statement of Comprehensive Income
 Nine months ended December 31, 2019

	(Millions of yen)	
	Nine months ended December 31, 2018 (April 1 to December 31, 2018)	Nine months ended December 31, 2019 (April 1 to December 31, 2019)
Net income	116,313	109,226
Other comprehensive income:		
Unrealized gains and losses on securities available for sale	(202,216)	46,848
Deferred gains and losses on hedges	(840)	(1,070)
Foreign currency translation adjustments	(19,573)	(35,606)
Remeasurements of defined benefit plans	421	289
Share of other comprehensive income of affiliates accounted for under the equity method	(117)	(212)
Total other comprehensive income	(222,326)	10,248
Comprehensive income	(106,013)	119,475
(Comprehensive income attributable to)		
Comprehensive income attributable to shareholders of the parent	(103,574)	119,148
Comprehensive income attributable to non-controlling shareholders	(2,438)	327

(3) Notes on Going-Concern Assumption

None.

(4) Notes on Significant Changes in Shareholders' Equity

None.

(5) Application of Accounting Methods Used Specifically for the Preparation of the Quarterly Consolidated Financial Statements

Income tax expenses are calculated by multiplying net income before income taxes by an estimated effective tax rate, which is a reasonable estimate of the effective tax rate after applying tax effect accounting to net income before income taxes for the fiscal year that includes this third quarter. However, if the use of this estimated effective tax rate produces significantly unreasonable results, income tax expenses are calculated by using the statutory effective tax rate.

(6) Changes in Accounting Policies, Changes in Accounting Estimations, and Retrospective Restatements

(Changes in accounting policies)

Sompo International Holdings Ltd., an overseas consolidated subsidiary, has adopted International Financial Reporting Standards (hereinafter "IFRS") for its consolidated financial statements from the beginning of the fiscal year 2019, in place of US GAAP previously applied. This decision was made considering the overall circumstances, including the situation of the application of accounting standards at other overseas consolidated subsidiaries and the fact that SOMPO HOLDINGS is contemplating voluntary adoption of IFRS.

As the effect of this change was immaterial, IFRS have not been adopted retrospectively.

Supplementary Information

(1) Summary of Results of Operations (Consolidated)

	(Millions of yen)			
	Nine months ended December 31, 2018 (April 1 to December 31, 2018)	Nine months ended December 31, 2019 (April 1 to December 31, 2019)	Increase (Decrease)	Rate of change
Ordinary income and expenses:				%
Underwriting income:	2,435,916	2,527,039	91,122	3.7
Net premiums written	2,065,819	2,147,120	81,301	3.9
Deposits of premiums by policyholders	84,635	90,883	6,248	7.4
Life insurance premiums written	254,523	259,054	4,531	1.8
Underwriting expenses:	2,037,798	2,158,911	121,113	5.9
Net claims paid	1,283,821	1,217,291	(66,529)	(5.2)
Loss adjustment expenses	99,182	97,765	(1,417)	(1.4)
Net commissions and brokerage fees	378,433	393,260	14,827	3.9
Maturity refunds to policyholders	152,248	160,196	7,948	5.2
Life insurance claims paid and other payments	66,676	69,472	2,796	4.2
Provision for reserve for outstanding losses and claims	28,160	36,658	8,497	30.2
Provision for underwriting reserves	22,246	177,153	154,907	696.3
Investment income:	180,347	184,639	4,292	2.4
Interest and dividend income	143,821	149,667	5,845	4.1
Gains on sales of securities	54,592	56,871	2,279	4.2
Investment expenses:	20,988	14,446	(6,542)	(31.2)
Losses on sales of securities	8,218	5,333	(2,885)	(35.1)
Impairment losses on securities	7,341	2,387	(4,954)	(67.5)
Operating, general and administrative expenses	406,214	395,878	(10,335)	(2.5)
Other ordinary income and expenses	12,132	11,479	(653)	(5.4)
Ordinary profit	163,396	153,922	(9,474)	(5.8)
Extraordinary gains and losses:				
Extraordinary gains	273	1,602	1,328	485.2
Extraordinary losses	5,308	8,441	3,133	59.0
Extraordinary gains and losses	(5,034)	(6,839)	(1,805)	—
Net income before income taxes	158,362	147,082	(11,279)	(7.1)
Income taxes and deferred income taxes	42,048	37,856	(4,192)	(10.0)
Net income	116,313	109,226	(7,086)	(6.1)
Net income (loss) attributable to non-controlling interests	(2,120)	484	2,605	—
Net income attributable to shareholders of the parent	118,433	108,742	(9,691)	(8.2)

(2) Premiums Written and Claims Paid by Business Lines (Consolidated)

Direct premiums written (including deposits of premiums by policyholders)

(Millions of yen)

Business line	Nine months ended December 31, 2018 (April 1 to December 31, 2018)			Nine months ended December 31, 2019 (April 1 to December 31, 2019)		
	Amount	% of total amount	Rate of change	Amount	% of total amount	Rate of change
Fire and allied insurance	397,159	16.9	(0.3)	438,698	18.0	10.5
Marine insurance	66,826	2.8	(15.8)	68,818	2.8	3.0
Personal accident insurance	208,346	8.9	(6.3)	216,546	8.9	3.9
Voluntary automobile insurance	899,791	38.3	(4.2)	918,313	37.7	2.1
Compulsory automobile liability insurance	219,314	9.3	(1.9)	220,108	9.0	0.4
Others	557,436	23.7	4.4	576,325	23.6	3.4
Total	2,348,874	100.0	(2.0)	2,438,811	100.0	3.8
Deposits of premiums by policyholders	84,635	3.6	(7.9)	90,883	3.7	7.4

Note) The above figures represent amounts after offsetting internal transactions among segments.

Net premiums written

(Millions of yen)

Business line	Nine months ended December 31, 2018 (April 1 to December 31, 2018)			Nine months ended December 31, 2019 (April 1 to December 31, 2019)		
	Amount	% of total amount	Rate of change	Amount	% of total amount	Rate of change
Fire and allied insurance	290,332	14.1	(16.1)	316,877	14.8	9.1
Marine insurance	64,106	3.1	(22.7)	66,299	3.1	3.4
Personal accident insurance	139,203	6.7	(6.4)	134,812	6.3	(3.2)
Voluntary automobile insurance	895,916	43.4	(4.1)	911,394	42.4	1.7
Compulsory automobile liability insurance	207,430	10.0	(7.3)	213,833	10.0	3.1
Others	468,830	22.7	5.6	503,902	23.5	7.5
Total	2,065,819	100.0	(5.2)	2,147,120	100.0	3.9

Note) The above figures represent amounts after offsetting internal transactions among segments.

Net claims paid

(Millions of yen)

Business line	Nine months ended December 31, 2018 (April 1 to December 31, 2018)			Nine months ended December 31, 2019 (April 1 to December 31, 2019)		
	Amount	% of total amount	Rate of change	Amount	% of total amount	Rate of change
Fire and allied insurance	283,879	22.1	18.3	228,594	18.8	(19.5)
Marine insurance	34,854	2.7	(15.3)	34,813	2.9	(0.1)
Personal accident insurance	71,790	5.6	(4.6)	67,231	5.5	(6.4)
Voluntary automobile insurance	501,228	39.0	(0.6)	496,174	40.8	(1.0)
Compulsory automobile liability insurance	158,995	12.4	(3.3)	146,469	12.0	(7.9)
Others	233,073	18.2	3.1	244,008	20.0	4.7
Total	1,283,821	100.0	2.6	1,217,291	100.0	(5.2)

Note) The above figures represent amounts after offsetting internal transactions among segments.

(3) Securities (Consolidated)

1. Bonds held to maturity

(Millions of yen)

	As of March 31, 2019			As of December 31, 2019		
	Carrying amount	Fair value	Unrealized gains and losses	Carrying amount	Fair value	Unrealized gains and losses
Domestic bonds	1,187,996	1,500,391	312,395	1,191,326	1,501,231	309,904
Foreign securities	9,762	9,718	(44)	9,529	9,750	221
Total	1,197,758	1,510,109	312,350	1,200,856	1,510,982	310,126

2. Policy reserve matching bonds

(Millions of yen)

	As of March 31, 2019			As of December 31, 2019		
	Carrying amount	Fair value	Unrealized gains and losses	Carrying amount	Fair value	Unrealized gains and losses
Domestic bonds	370,080	409,926	39,846	427,095	472,351	45,256
Total	370,080	409,926	39,846	427,095	472,351	45,256

3. Securities available for sale

(Millions of yen)

	As of March 31, 2019			As of December 31, 2019		
	Cost	Carrying amount	Unrealized gains and losses	Cost	Carrying amount	Unrealized gains and losses
Domestic bonds	1,976,899	2,174,560	197,661	2,042,529	2,223,615	181,085
Domestic stocks	517,749	1,266,725	748,976	492,320	1,266,764	774,443
Foreign securities	2,566,511	2,667,429	100,918	2,737,774	2,884,675	146,901
Others	70,165	75,812	5,646	77,001	84,239	7,238
Total	5,131,325	6,184,528	1,053,202	5,349,625	6,459,294	1,109,669

Notes)

As of March 31, 2019	As of December 31, 2019
1. Securities available for sale which are considered extremely difficult to figure out their fair value are not included in the above table.	1. Same as on the left
2. Certificate of deposit classified as cash and deposits and beneficial interests in the loan trusts classified as monetary receivables bought in the consolidated balance sheet are included in "Others" above.	2. Certificate of deposit classified as cash and deposits and beneficial interests in the loan trusts classified as monetary receivables bought in the quarterly consolidated balance sheet are included in "Others" above.
3. Impairment losses on securities available for sale (excluding securities available for sale which are considered extremely difficult to figure out their fair value) amount to 9,176 million yen (domestic stocks: 6,732 million yen, foreign securities: 2,444 million yen). Basically, impairment losses on securities are recognized if fair value at the end of the fiscal year declines by 30% or more from their cost.	3. Impairment losses on securities available for sale (excluding securities available for sale which are considered extremely difficult to figure out their fair value) amount to 768 million yen (domestic stocks: 219 million yen, foreign securities: 549 million yen). Basically, impairment losses on securities are recognized if fair value at the end of the third quarter declines by 30% or more from their cost.