



**SOMPO**  
HOLDINGS

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# Business Strategy

November 27, 2014

Sompo Japan Nipponkoa Holdings, Inc.

# Key Points

- The management plan steadily progressed, and it is highly likely to achieve our targets for FY2015.
- The profitability of domestic P&C steadily improved, and domestic life and overseas insurance progressed as expected.
- We have upwardly revised our business forecasts for FY2014.

## Domestic P&C

- Adjusted combined ratio improved faster than planned.
- Profitability of automobile insurance kept improving, and the cost reduction through the merger continued to increase.
- Sales of direct automobile insurance is accelerated.

## Domestic Life

- Sales of new medical insurance products launched in May 2014 is favorable.
- Himawari Life aims sustainable growth by customer-oriented product development and channel strategy.

## Overseas Insurance

- Overseas insurance business progressed as expected, and started consolidating Canopus from 2Q FY2014.
- We aim to increase our earnings by striking balance between investments in emerging markets and developed markets.

## ERM & Capital Policy

- Internal solvency ratio keeps within target capital level (120-170%).
- We reduced exposure of strategic-holding stocks by ¥42.9 billion, and aim to reduce them constantly.
- In addition to maintaining stable dividends, we have conducted share buybacks of ¥10.0 billion from May to June in 2014.

1. Trend of business results

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5. ERM & Capital Policy

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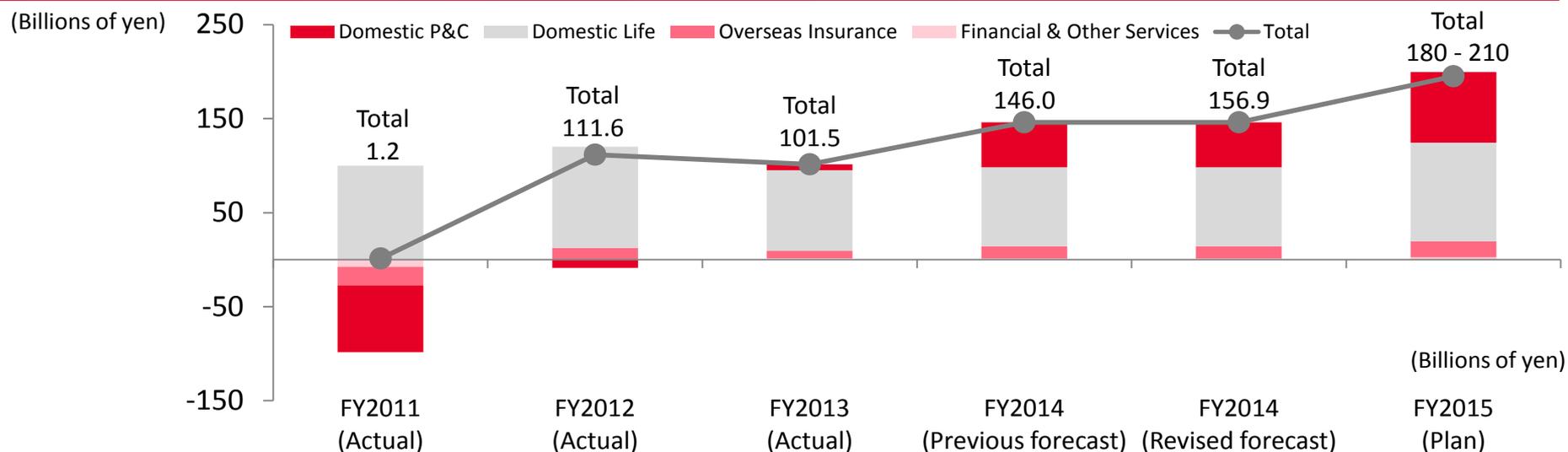
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## Progress of Management Plan

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

### Progress of management plan



\* 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, approx. ¥61 billion in FY 2014 and approx. ¥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 64. 3

## Consolidated Performance – J-GAAP Base

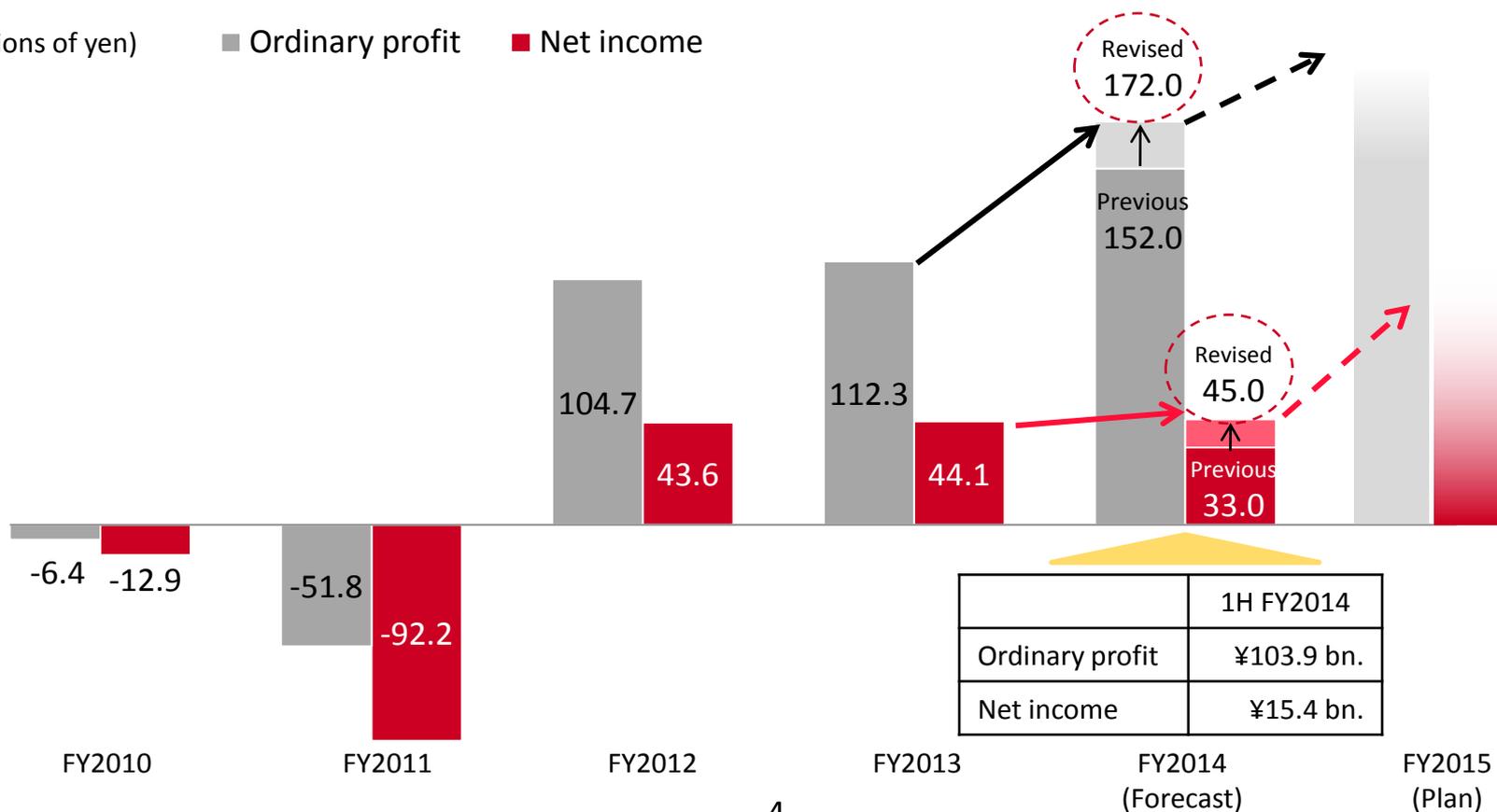
- ◆ Ordinary profit: We upwardly changed our business forecasts for FY2014 to ¥172.0 billion, which are on increasing trend mainly due to the improvement of profitability in domestic P&C business.
- ◆ Net income: One-time merger costs have negative impact on net income in FY2014, but significant improvement is expected in FY2015.

### Trend of ordinary profit and net income

(Billions of yen)

■ Ordinary profit

■ Net income



## Summary of 1H FY2014 Results

- Consolidated ordinary profit drastically improved (+¥50.2 billion), and amounted to ¥103.9 billion. Improvement of domestic P&C profitability covered one-time merger costs, and consolidated net income amounted to ¥15.4 billion.
- We upwardly revised our business forecasts for FY2014 based on the recent improvement of profitability and favorable market conditions.

\* Business forecasts for FY2014 (revised): Ordinary profit ¥172.0 billion (+¥20.0 billion)  
Net income ¥45.0 billion (+¥12.0 billion)

- Profitability of domestic P&C continued to improve, and core underwriting profit improved ¥28.5 billion year on year.
- Combined ratio of automobile insurance in 1H FY2014 improved 1.6 points year on year, and that in FY2014 is expected to be 94.5%.
- The merger was completed, and one-time merger costs for 1H FY2014 recorded as extraordinary losses in 1H FY2014 were ¥71.8 billion against the fiscal year plan about ¥80.0 billion.
- Domestic life keeps the increasing trend of premium and net income with growing business in force because of preferable sales growth of new medical insurance products.
- In overseas insurance, the top-line has steadily grown, and the bottom-line was in line with the fiscal year plan.
- The reduction in the exposure of strategic-holding stocks was ¥42.9 billion, which is in line with the fiscal year plan.

## Overview of 1H FY2014 Results – Consolidated basis

- ◆ The top line has steadily grown, and ordinary profit significantly improved.
- ◆ Although one-time merger costs (¥71.8 billion) were recorded as extraordinary losses, net income amounted to ¥15.4 billion.

(Billions of yen)				(Announced on Nov. 19, 2014)
	1H FY2013	1H FY2014	Change	FY2014 (Forecasts)
Ordinary income (consolidated basis)	1,459.6	1,606.2	+ 146.6(+10.0%)	
Net premiums written (P&C)	1,118.9	1,244.4	+ 125.5(+11.2%)	2,505.0
Life insurance premiums	133.9	134.3	+ 0.4 (+0.3%)	279.5
Ordinary profit (consolidated basis)	53.7	103.9	+50.2	172.0
Sompo Japan Nipponkoa *1	41.8	97.4	+55.6	162.6
Himawari Life	5.4	12.6	+7.1	17.8
Overseas insurance subsidiaries	8.1	7.6	-0.5	19.2
Consolidated adjustment *2/Others	-1.7	-13.7	-12.0	-27.7
Net income (consolidated basis)	29.1	15.4	-13.7	45.0
Sompo Japan Nipponkoa *1	19.9	11.6	-8.3	42.8
Himawari Life	3.3	7.9	+4.6	11.0
Overseas insurance subsidiaries	6.5	6.5	-0.0	14.6
Consolidated adjustment *2/Others	-0.6	-10.7	-10.0	-23.5

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

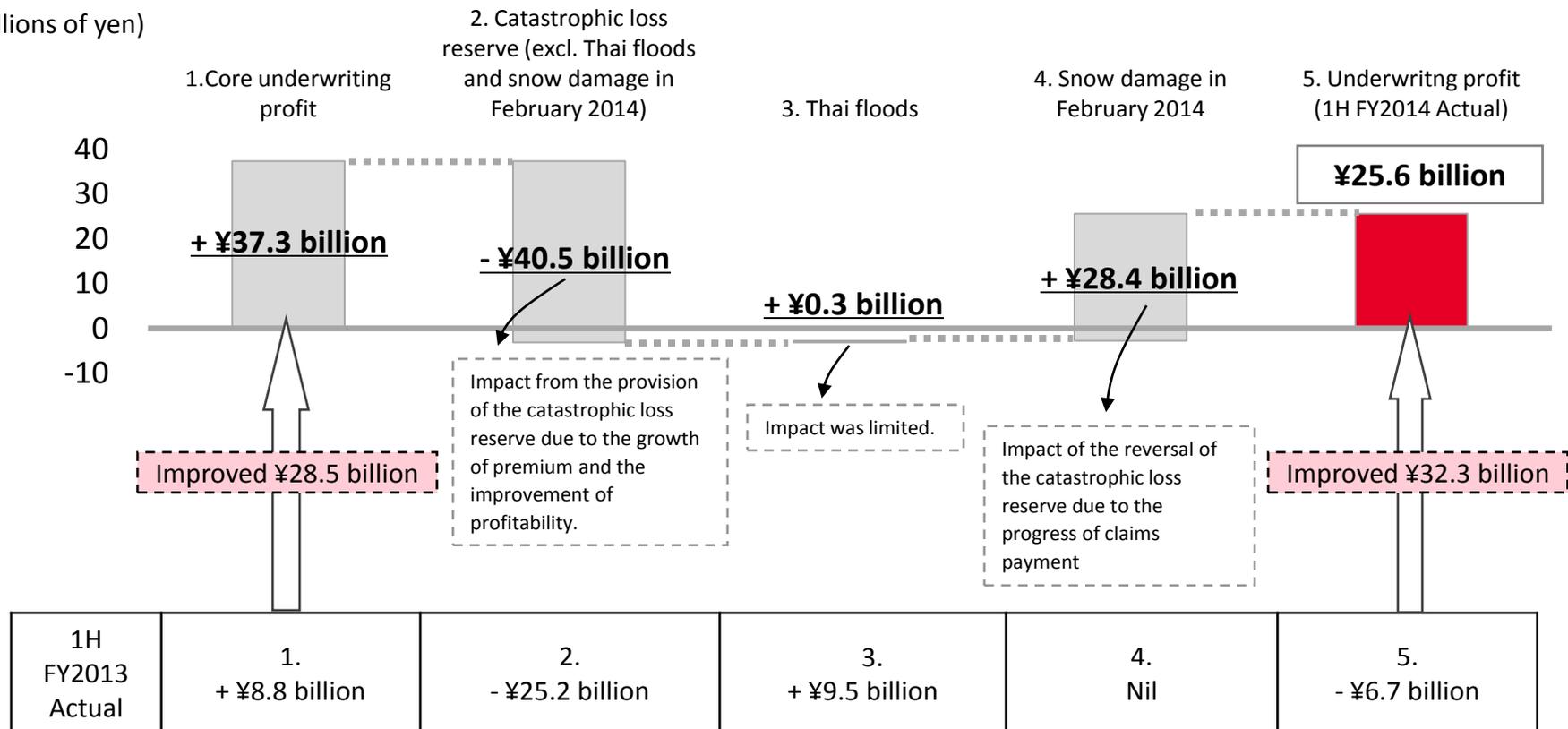
\*2 "Purchase method" accounting was adopted upon the establishment of Sompo Japan Nipponkoa Holdings (the former NKSJ Holdings). In the consolidated accounts of the holdings, assets and liabilities of the former Nipponkoa and some group companies were acquired and carried on the balance sheet at fair 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. in the consolidated accounts of Sompo Japan Nipponkoa must be adjusted, and this adjustment is included in the above "consolidated adjustments." (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 1H FY2014 – Underwriting profit

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

## Breakdown of underwriting profit (Sompo Japan Nipponkoa)

(Billions of yen)

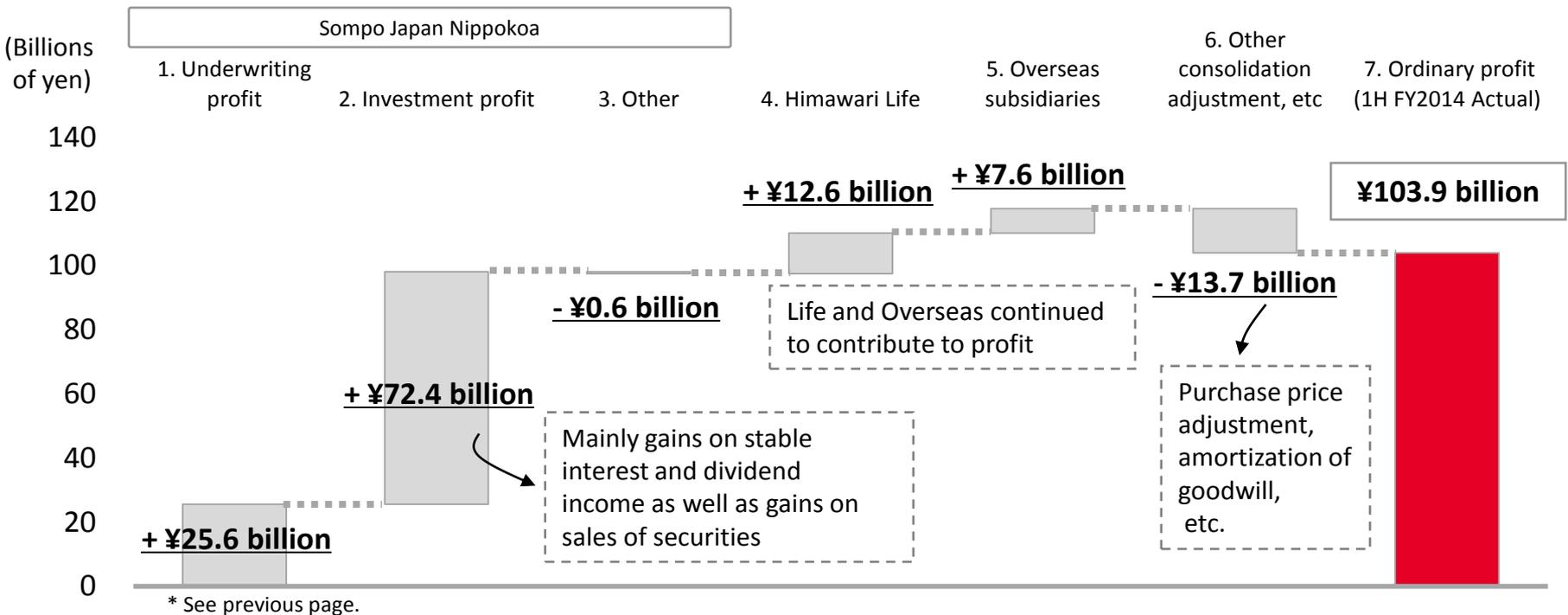


\* Core underwriting profit is underwriting profit less the impact related to catastrophic loss reserve, the Thai floods and snow damage in February 2014.

# Main points of Consolidated Results for 1H FY2014 - Ordinary profit

◆ Improvement of profitability and preferable investment environment of domestic P&C insurance as well as life and overseas contributed to profit.

## Breakdown of ordinary profit

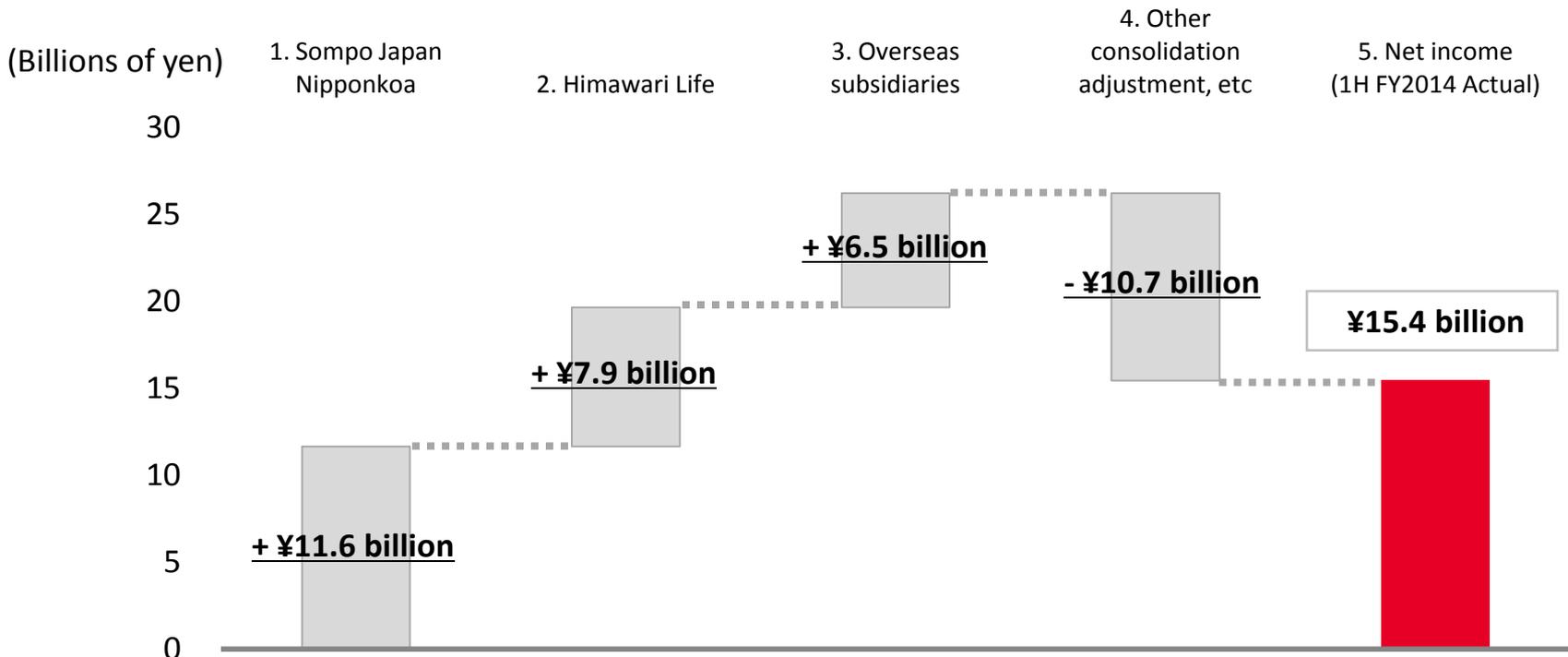


1H FY2013 Actual	1.	2.	3.	4.	5.	6.	7.
	- ¥6.7 billion	+ ¥56.6 billion	- ¥8.0 billion	+ ¥5.4 billion	+ ¥8.1 billion	- ¥1.7 billion	¥53.7 billion

# Main points of Consolidated Results for 1H FY2014 - Net income

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

## Breakdown of net income



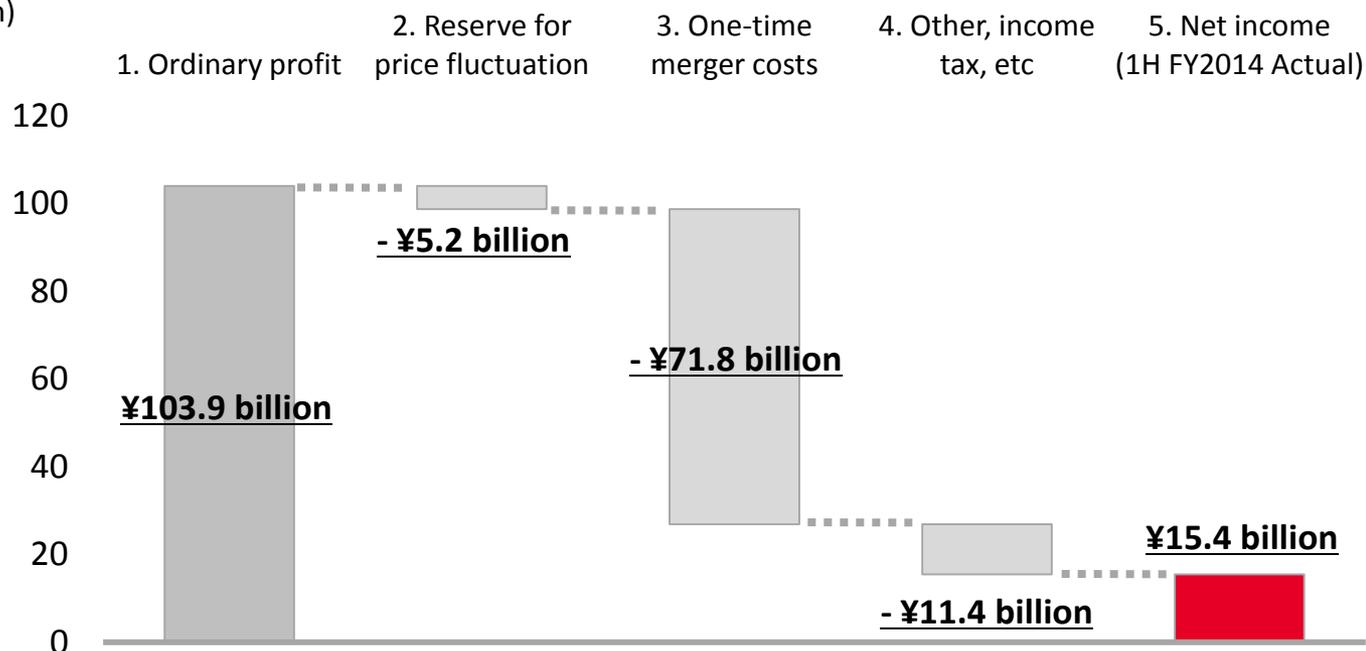
1H FY2013 Actual	1. + ¥19.9 billion	2. + ¥3.3 billion	3. + ¥6.5 billion	4. - ¥0.6 billion	5. ¥29.1 billion
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## Main points of Consolidated Results for 1H FY2014 – Extraordinary losses

- ◆ The difference between ordinary profit and net income was mainly due to the impact of one-time merger costs related to system development (¥71.8 billion).
- ◆ If excluding one-time merger costs, net income would be greatly larger than that of 1H FY2013.

### Breakdown of extraordinary gains/losses, etc.

(Billions of yen)



1H FY2013 Actual	1. ¥53.7 billion	2. - ¥4.1 billion	3. - ¥6.6 billion	4. - ¥13.7 billion	5. ¥29.1 billion
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## Summary of Business Forecasts for FY2014 – Consolidated basis

◆ We upwardly revised our business forecasts for FY2014 based on the recent improvement of profitability and favorable market conditions.

(Billions of yen)	FY2013 (Actual)	FY2014 (Previous forecasts)	FY2014 (Revised forecasts)	Change (Comparison with FY2013)		Change (Comparison with the previous forecasts)	
Net premiums written (P&C)	2,268.9	2,508.0	2,505.0	+236.0	(+10.4%)	-3.0	(-0.1%)
Life insurance premiums	277.2	279.5	279.5	+2.2	(+0.8%)	-	(-)
Ordinary profit (consolidated basis)	112.3	152.0	172.0	+59.6	(+53.0%)	+20.0	(+13.2%)
Sompo Japan Nipponkoa* <sup>1</sup>	117.7	144.0	162.6	+44.8	(+38.1%)	+18.5	(+12.9%)
Himawari Life	13.7	12.7	17.8	+4.0	(+29.3%)	+5.0	(+39.9%)
Overseas subsidiaries	10.9	18.4	19.2	+8.2	(+75.6%)	+0.8	(+4.4%)
Consolidated adjustment* <sup>2</sup> /others	-30.1	-23.2	-27.7	+2.3	(-)	-4.4	(-)
Net Income (consolidated basis)	44.1	33.0	45.0	+0.8	(+1.9%)	+12.0	(+36.4%)
Sompo Japan Nipponkoa* <sup>1</sup>	49.5	33.7	42.8	-6.6	(-13.5%)	+9.0	(+26.9%)
Himawari Life	8.0	7.5	11.0	+2.9	(+37.1%)	+3.5	(+47.3%)
Overseas subsidiaries	11.5	13.5	14.6	+3.0	(+26.2%)	+1.0	(+8.0%)
Consolidated adjustment* <sup>2</sup> /others	-25.0	-21.8	-23.5	+1.4	(-)	-1.7	(-)

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

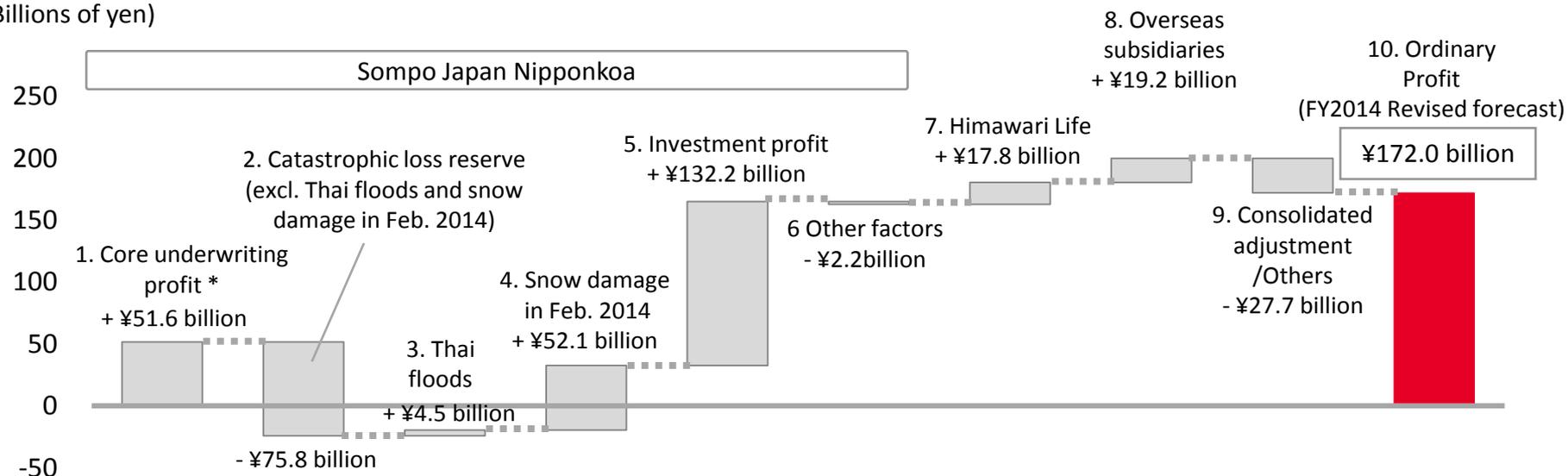
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## Main points of Business Forecasts for FY2014 – Ordinary Profit

- ◆ 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)



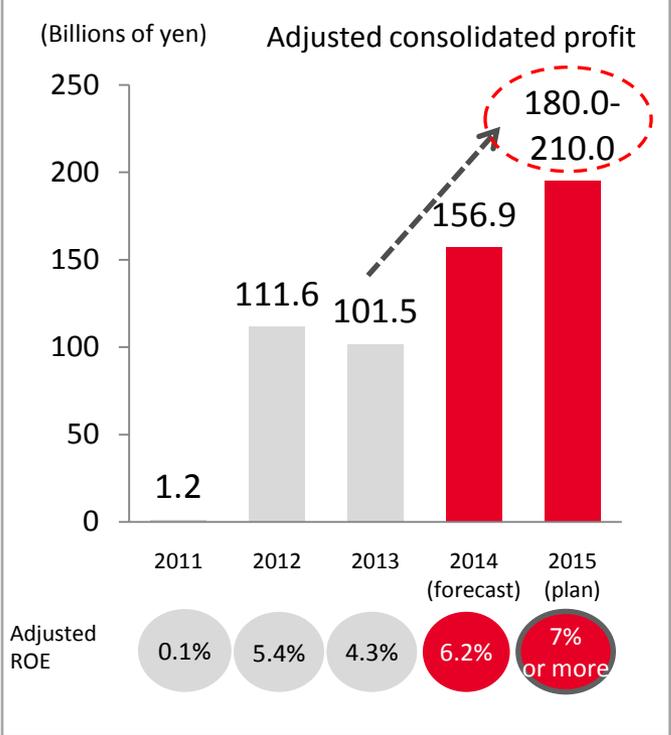
FY2014 Previous forecasts	1. + ¥32.5 billion	2. - ¥41.1 billion	3. + ¥4.5 billion	4. + ¥46.1 billion	5. + ¥105.5 billion	6. - ¥3.6 billion	7. + ¥12.7 billion	8. + ¥18.4 billion	9. - ¥23.2 billion	10. ¥152.0 billion
FY2013 Actual	+ ¥14.4 billion	- ¥33.6 billion	+ ¥21.3 billion	- ¥64.6 billion	+ ¥192.7 billion	- ¥12.3 billion	+ ¥13.7 billion	+ ¥10.9 billion	- ¥30.1 billion	¥112.3 billion

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

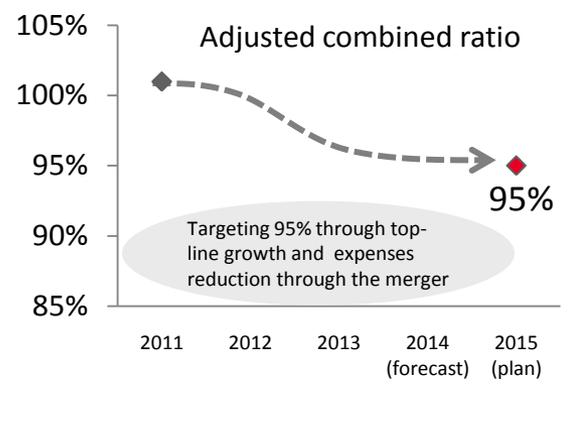
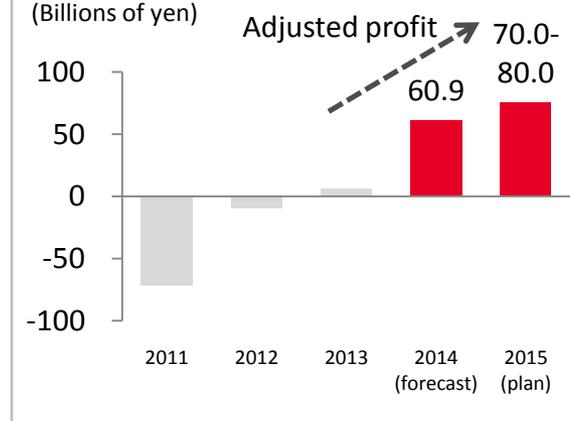
# (Reference ) Numerical management targets of the group

◆ Adjusted consolidated profit is likely to reach ¥180 - ¥210 billion, and adjusted ROE is expected to be 7% or more in FY2015 (no change in the numerical targets).

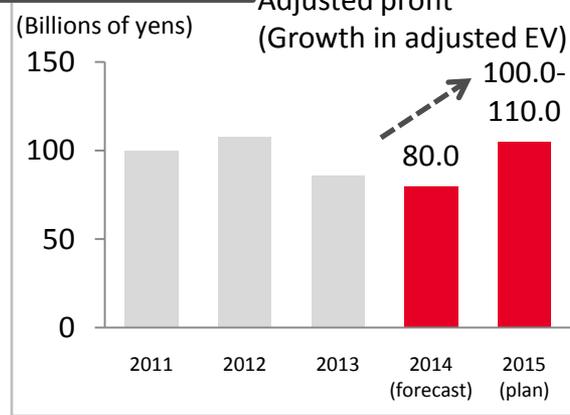
## Group total



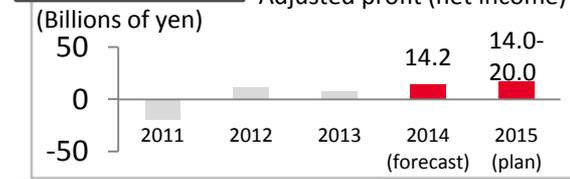
## Domestic P&C



## Domestic Life



## Overseas



## Financial and other services



\*1 Definition of each business, adjusted profit and adjusted ROE are shown on page 64.  
 \*2 Combined ratio for domestic P&C insurance excludes CALI.

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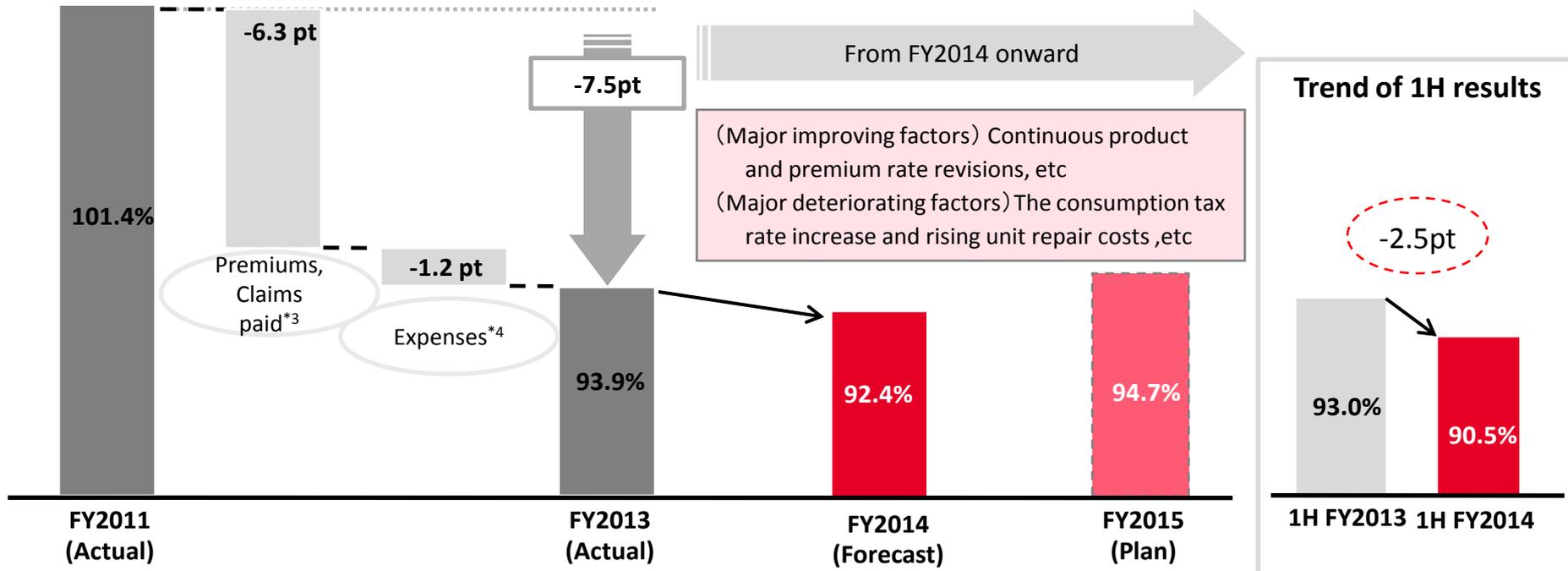
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## Profitability of Domestic P&C Insurance Business

- ◆ By addressing issues, such as the impact of the consumption tax hike, the profitability improved faster than planned.
- ◆ Adjusted combined ratio in 1H FY2014 improved 2.5 points year on year.

### Trends of adjusted combined ratio\*<sup>1</sup> (Sompo Japan Nipponkoa\*<sup>2</sup>)



\*1 Calculation standards of adjusted combined ratio shown here are as follows:

- One-time merger costs are excluded.
- Assumed impact of natural disasters is ¥38 billion in every year (¥17 billion in 1H).
- CAL, Compulsory Automobile Liability Insurance, is excluded.

\*2 The figures prior to September 1, 2014 are the sum of Sompo Japan and Nipponkoa.

\*3 Premiums, Claims paid:

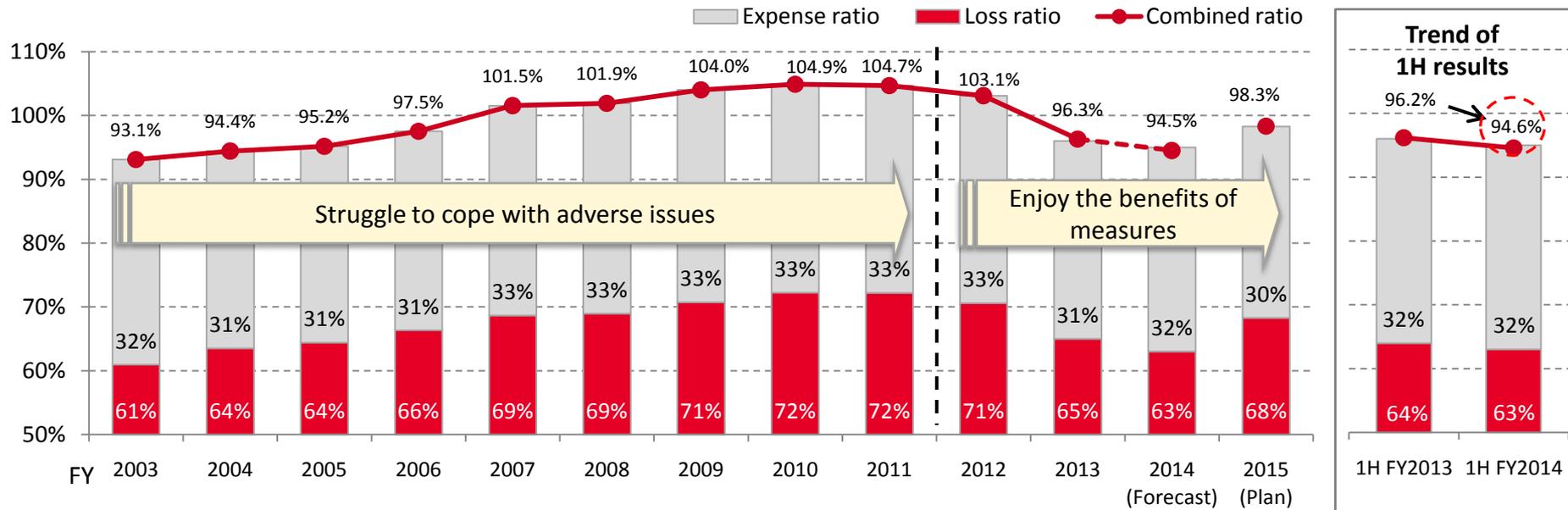
The loss ratio improved mainly due to product and rate revisions of automobile insurance.

\*4 Expenses: Business costs decreased due to merger synergies, etc.

# Voluntary Automobile Insurance – Combined Ratio

◆ Achieved to improve profitability by continuous product and premium rate revisions, etc.

## Combined ratio of automobile insurance (Sompo Japan Nipponkoa)



### Adverse issues;

- Population of elderly drivers who tend to have frequent accidents is growing
- The number of adjusters and system costs increased due to “non-payment problem”
- Repair costs are rising.
- The previous Driver Rating System was not rational.

### Our measures;

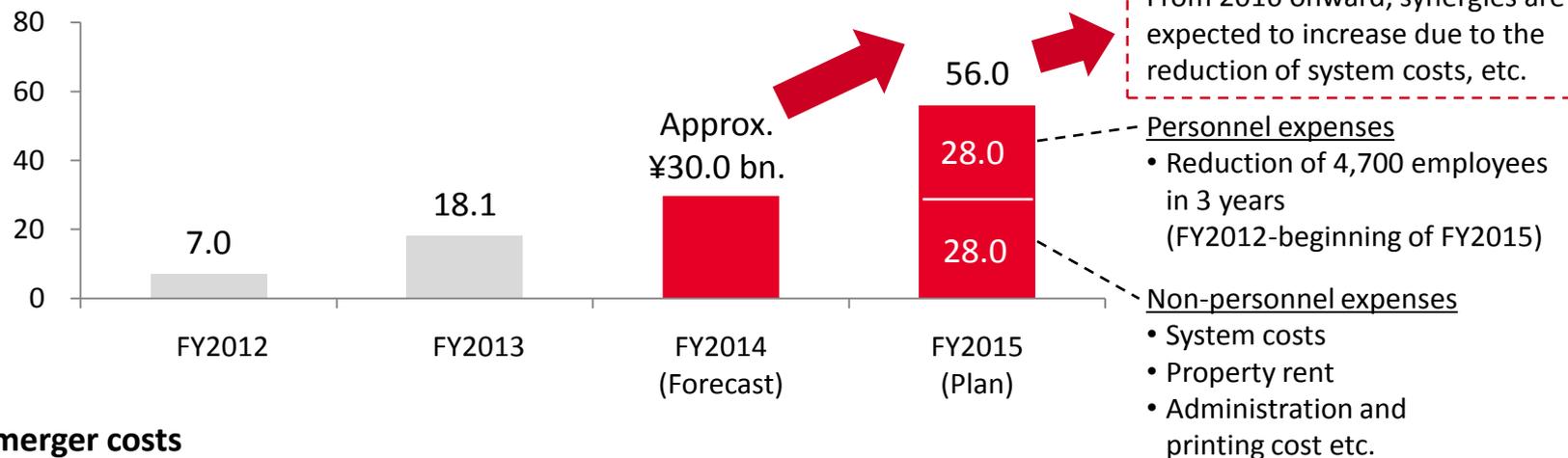
- Rate revision for elderly drivers (Started in April 2011)
- Series of product and rate revision (See Page 25)
- Revision of Driver Rating System (Started in October 2012)

# Merger Synergies and One-time Merger Costs

◆ Merger synergies and one time costs are in line with the plan.

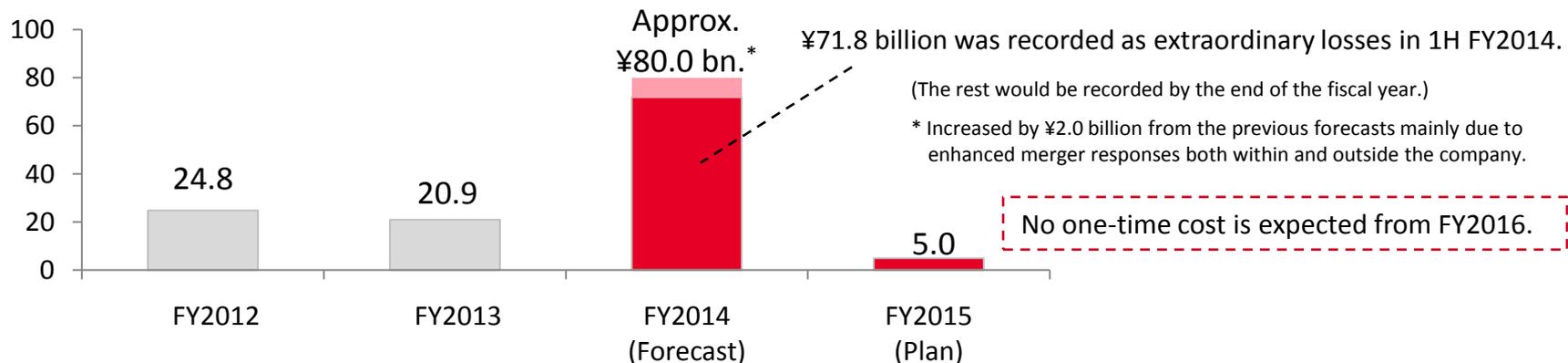
## Merger synergies

(Billions of yen)



## One-time merger costs

(Billions of yen)



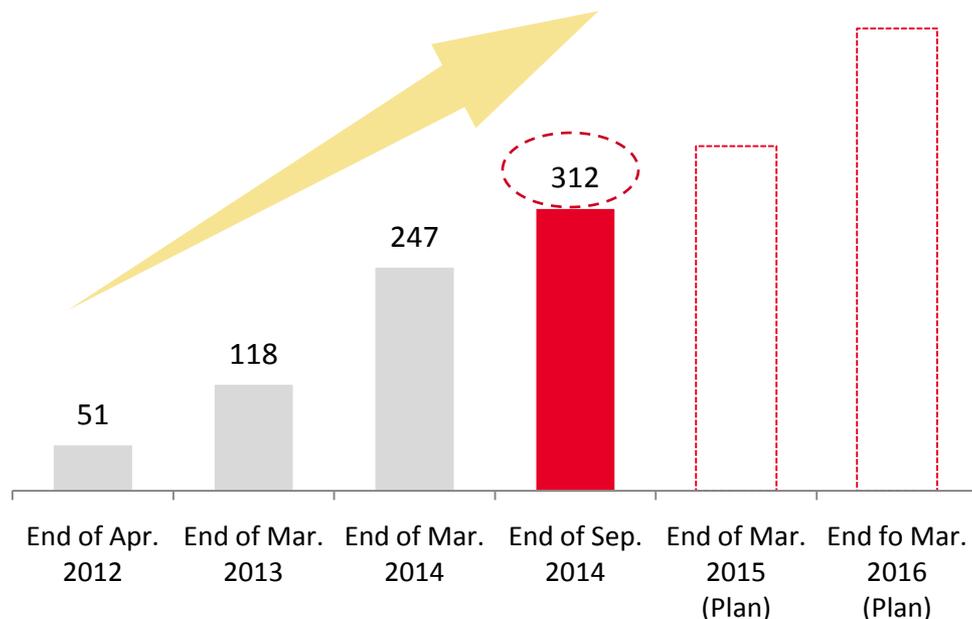
\* Merger costs are excluded from the calculation process of adjusted profit.

# Direct Business

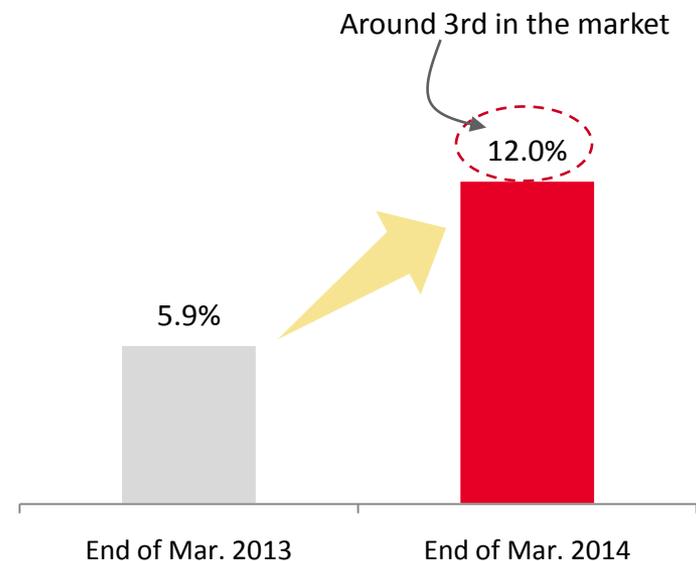
◆ Saison Automobile & Fire, which conducts direct sales of automobile insurance, steadily increased new policy enrollment.

Trends of policies in force of “Otona no Jidosha Hoken”<sup>\*1</sup>

(Thousands)



Market share of new premiums (estimation)<sup>\*2</sup> in direct automobile insurance



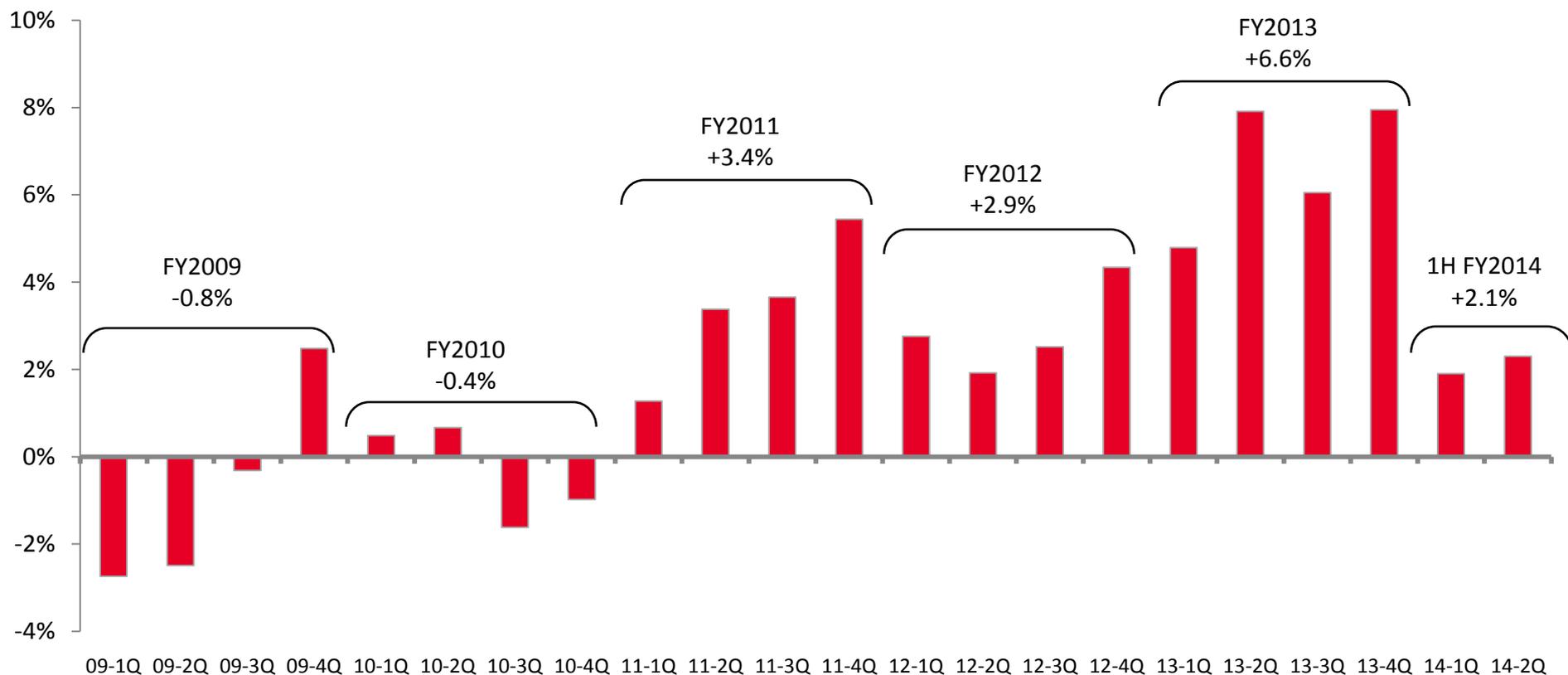
\*1 Launched in January 2011.

\*2 Our estimation by gross written premiums.

## Premiums (Performance Evaluation Basis)

◆ The top line has continued to grow since FY2011.

### Quarterly trends of premium increase (General lines total, Year-on-Year comparison)



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

\* Premium is performance evaluation basis.

## Net Premiums Written

◆ Net premiums written increased in all lines.

### Net premiums written by product (Sompo Japan Nipponkoa)

(Billions of yen)	1H FY2013	1H FY2014	Change	FY2014 (Forecasts)
Fire and Allied Lines	128.7	150.5	+21.7 (+16.9%)	323.1
Marine	22.7	26.4	+3.6 (+16.0%)	50.0
Personal Accident	99.1	100.0	+0.9 (+ 0.9%)	184.8
Voluntary Automobile	501.8	515.4	+13.6 (+ 2.7%)	1,051.6
CALI	145.6	154.2	+8.6 (+ 5.9%)	308.2
Other	138.2	150.6	+12.4 (+ 9.0%)	265.5
of which, Liability	86.5	91.6	+5.1 (+ 6.0%)	153.9
<b>Total</b>	<b>1,036.3</b>	<b>1,097.4</b>	<b>+61.0 (+ 5.9%)</b>	<b>2,183.5</b>
Total (excl. CALI, household earthquake)	890.2	942.7	+52.5 (+ 5.9%)	1,874.3

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

\*Performance evaluation basis

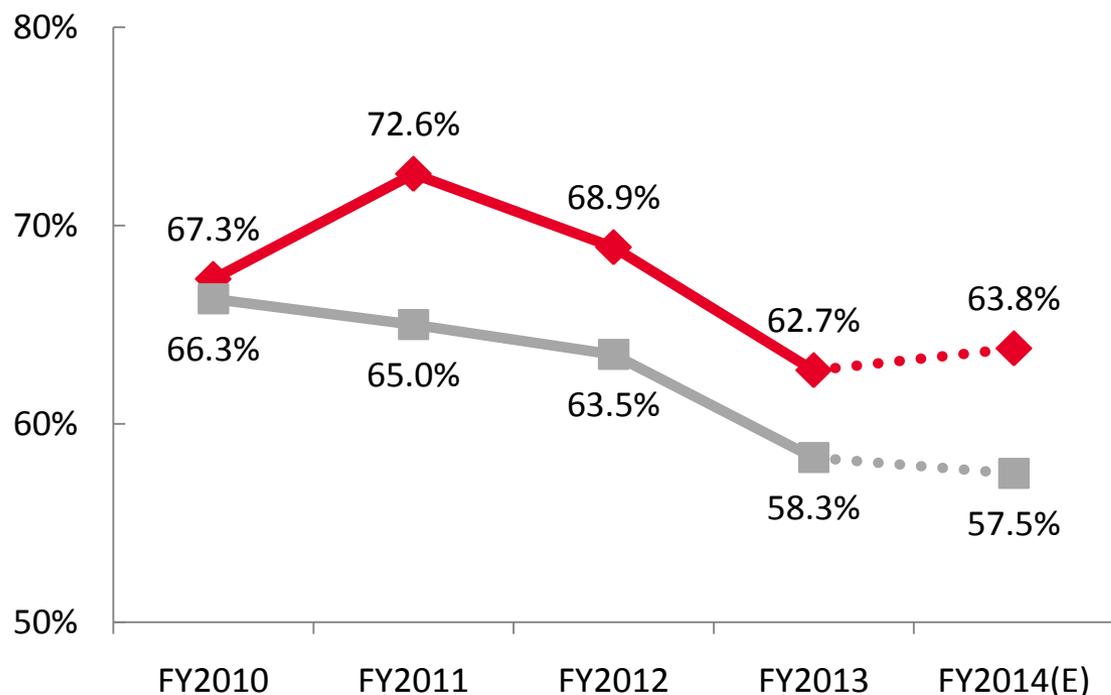
	Sompo Japan Nipponkoa		
	# of vehicles	Premium /vehicle	Total Premium
Non-Fleet	-0.3%	+1.0%	+0.8%
Fleet	+1.1%	+2.6%	+3.7%
<b>Total</b>	<b>+0.0%</b>	<b>+1.2%</b>	<b>+1.2%</b>

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

## Loss Ratio (W/P)

- ◆ In 1H FY2014, loss ratio (W/P) increased due to progress of claims payment for snow damage in February 2014.
- ◆ Loss ratio excluding natural disasters improved mainly due to improvement of profitability of automobile insurance.

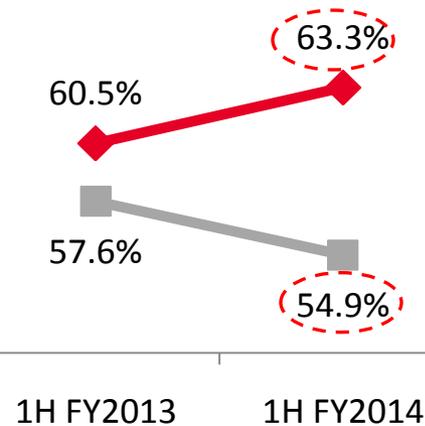
### Trends of loss ratio (excl. CALI, household earthquake)



◆ Loss Ratio (excl. CALI, household earthquake)

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

### Trend of 1H Results



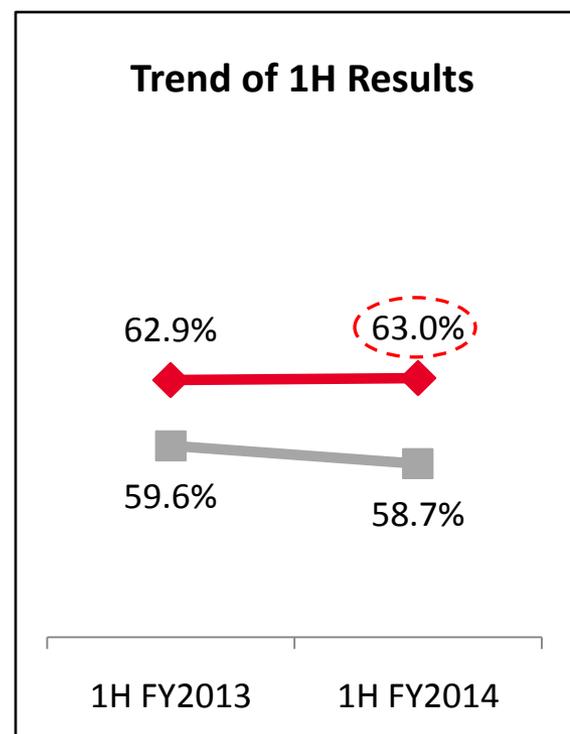
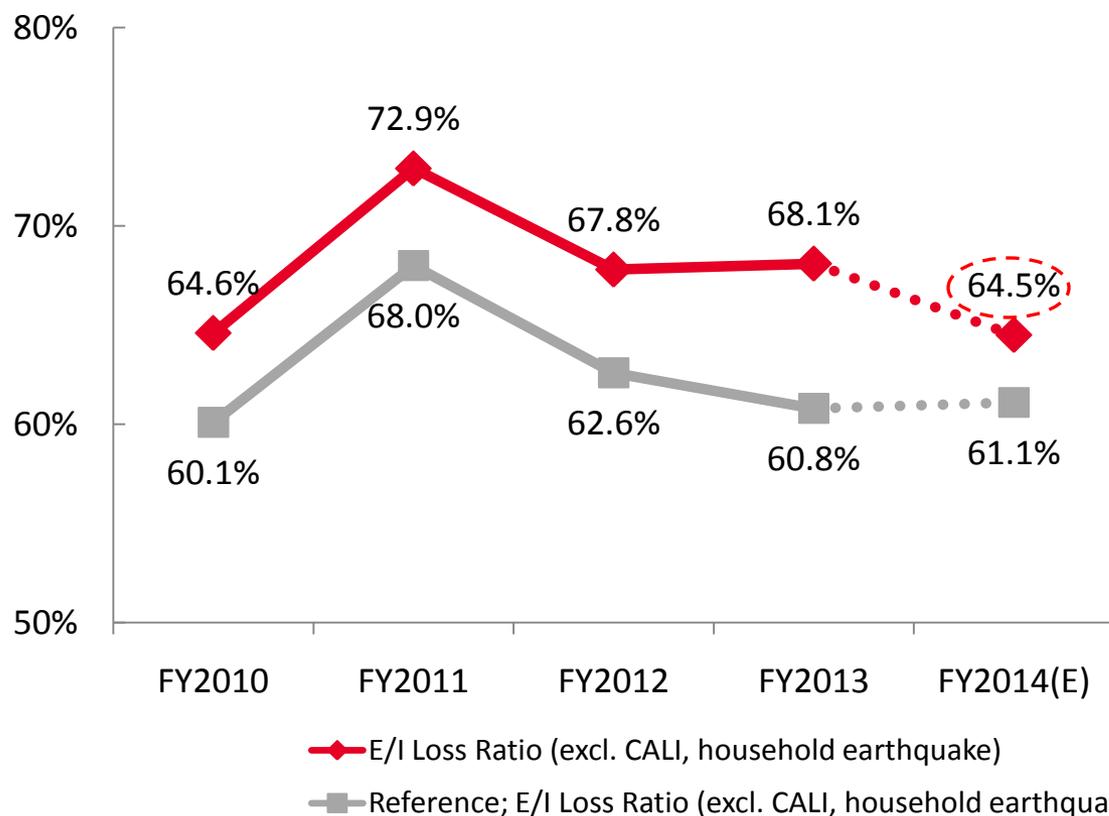
\* The figures prior to September 1, 2014 are the sum of Sompo Japan and Nipponkoa.

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

## Loss Ratio (E/I)

◆ E/I loss ratio was 63.0% in 1H FY2014, and is expected to improve 3.5 points year on year in FY2014.

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

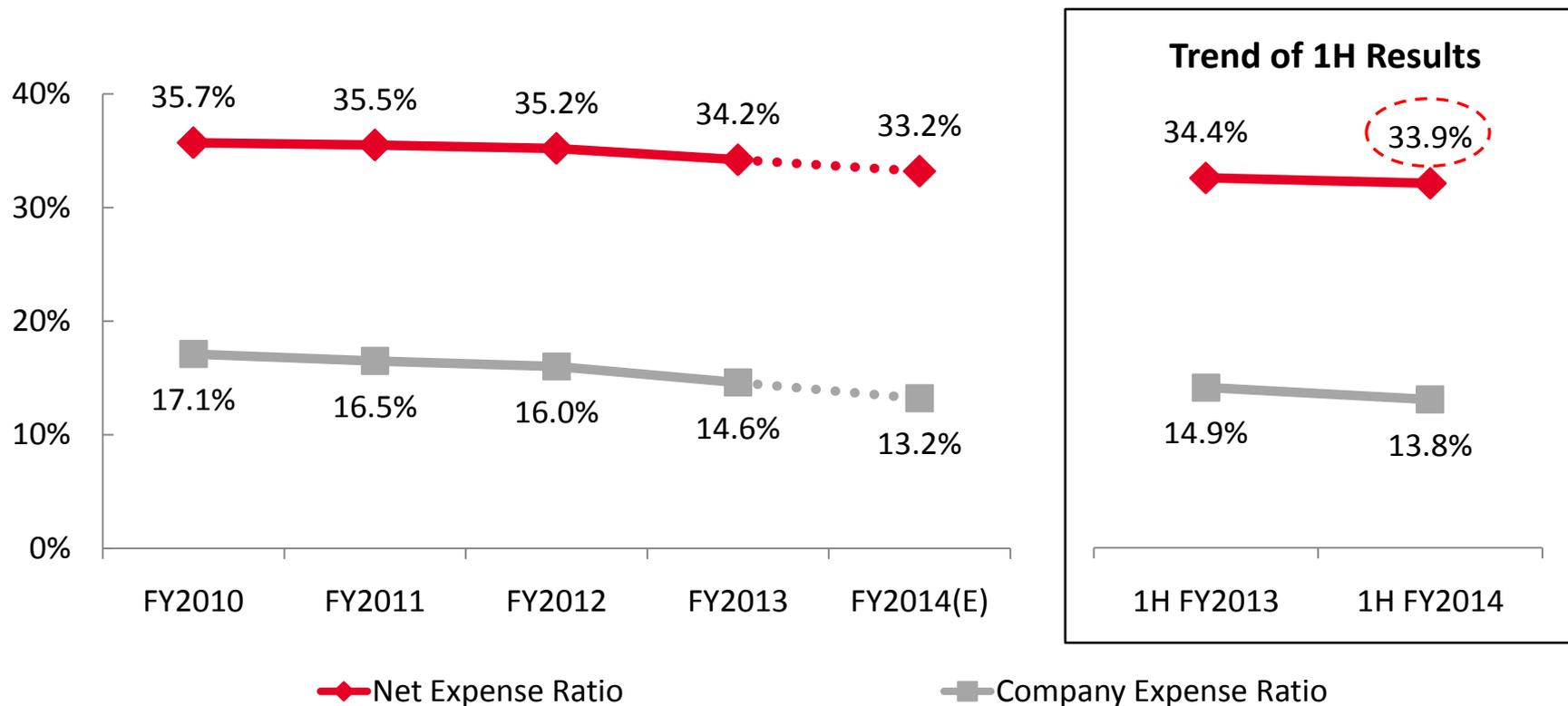


\* The figures prior to September 1, 2014 are the sum of Sompo Japan and Nipponkoa.

# Net Expense Ratio

◆ Net expense ratio and company expense ratio both steadily declined.

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



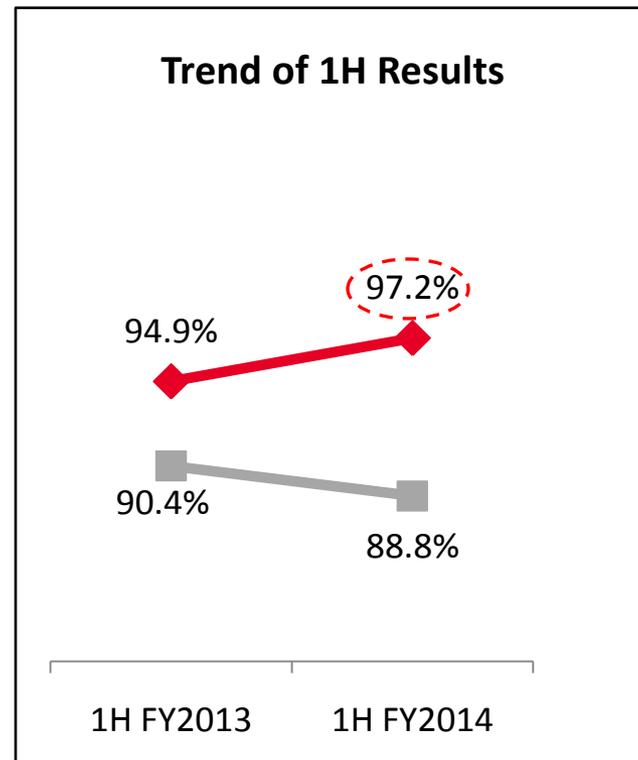
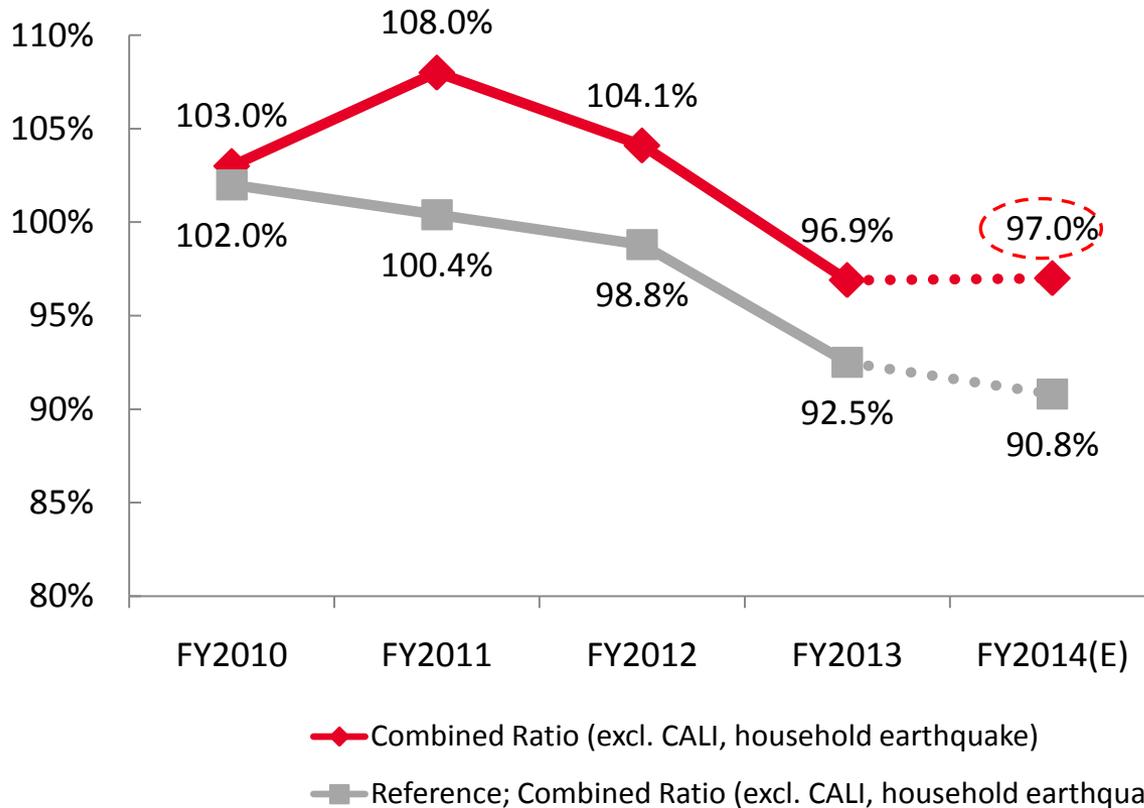
\* The figures prior to September 1, 2014 are the sum of Sompo Japan and Nipponkoa.

\* Company expense ratio is the ratio of operating, general administrative expenses for underwriting against the net premiums written.

# Combined Ratio

- ◆ Combined ratio was 97.2% in 1H FY2014 due to snow damage in February 2014.
- ◆ Combined ratio excluding domestic natural disasters is expected to improve in FY2014.

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



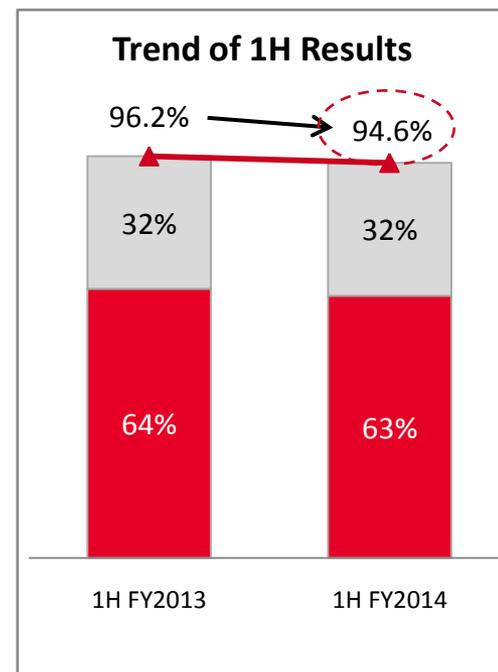
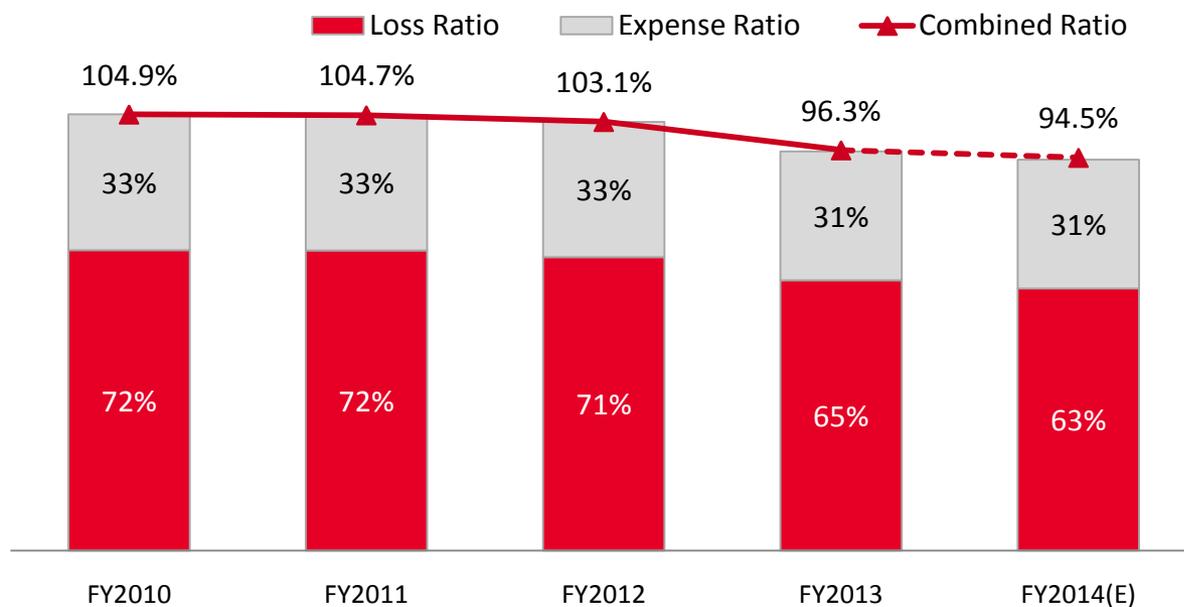
\* The figures prior to September 1, 2014 are the sum of Sompo Japan and Nipponkoa.

## Voluntary Automobile Insurance - Profitability

◆ Loss ratio was still downward trend in 1H 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)

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%

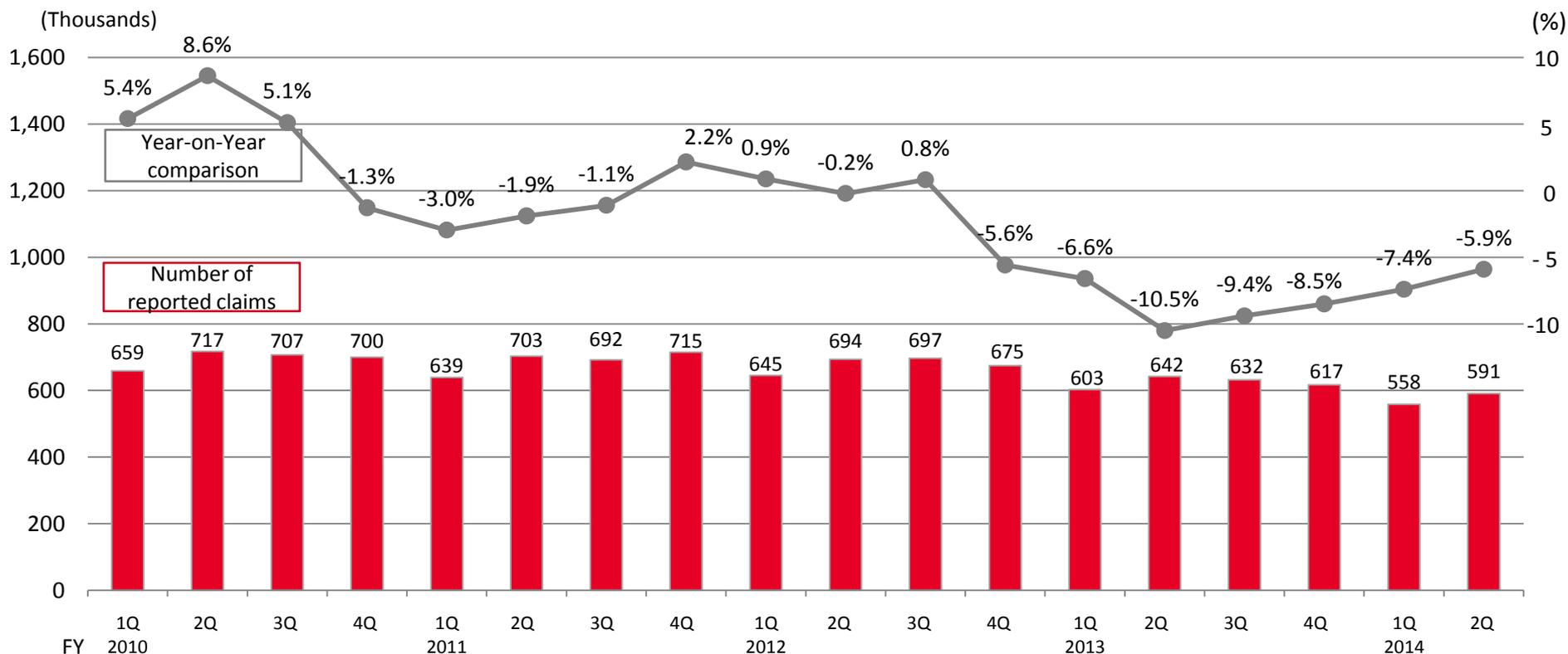
\* The figures prior to September 1, 2014 are the sum of Sompo Japan and Nipponkoa.

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

## Voluntary Automobile Insurance - Number of reported claims

◆ Decreasing trend (Year-on-Year comparison) has been on going since 4Q FY2012.

### Trends of number of reported claims



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

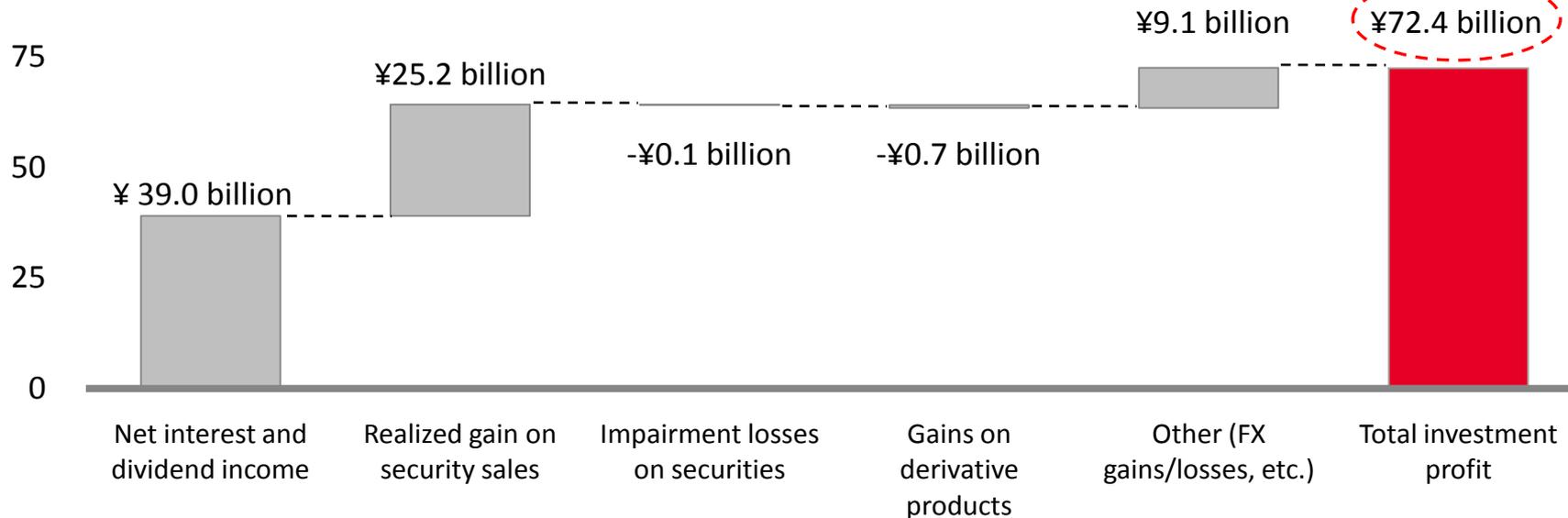
\* Special factors in each fiscal year (The Great East Japan Earthquake, typhoon No.12 and No.15 in FY2011, the severe storm in April 2012, and snow damage in February 2014) are excluded.

## Investment Profit

- ◆ Investment profit forecast was upwardly revised to ¥132.2 billion (+¥26.7 billion against previous forecast) reflecting the current market conditions.

### Breakdown of investment profit in 1H 2014 (Sompo Japan Nipponkoa)

(Billions of 100 yen)



1H FY2013		¥34.2 bn.	¥35.8 bn.	-¥11.2 bn.	-¥4.2 bn.	¥2.0 bn.	¥56.6 bn.
FY2014 Forecast	Previous	¥55.6 bn.	¥49.2 bn.	-¥3.0 bn.	-¥0.3 bn.	¥4.0 bn.	¥105.5 bn.
	Revised	¥61.1 bn.	¥58.6 bn.	-¥0.6 bn.	-¥0.8 bn.	¥13.9 bn.	<b>¥132.2 bn.</b>

## Business Forecasts - Domestic P&C Insurance Business

(Billions of yen)	FY2013 (Actual)	FY2014 (Previous forecasts)	FY2014 (Revised forecasts)	Change (Comparison with FY2013)	Change (Comparison with the previous forecasts)
Net premiums written	2,082.1	2,174.1	2,183.5	+101.3 ( +4.9% )	+9.4 ( +0.4% )
(Excl. CALI, household earthquake)	1,783.0	1,868.1	1,874.3	+91.2 ( +5.1% )	+6.1 ( +0.3% )
Loss ratio	65.7%	67.8%	66.2%	+0.6pt	-1.6pt
(Excl. CALI, household earthquake)	62.7%	65.4%	63.8%	+1.1pt	-1.6pt
El loss ratio (excl. CALI, household earthquake)	68.1%	64.6%	64.5%	-3.5pt	-0.1pt
Expense ratio	32.2%	31.5%	31.3%	-0.9pt	-0.2pt
(Excl. CALI, household earthquake)	34.2%	33.3%	33.2%	-1.1pt	-0.1pt
Combined ratio	97.9%	99.3%	97.5%	-0.3pt	-1.8pt
(Excl. CALI, household earthquake)	96.9%	98.7%	97.0%	+0.1pt	-1.7pt
Underwriting profit	-62.5	42.2	32.6	+95.2 (-)	-9.5 (-22.7%)
Investment profit	192.7	105.5	132.2	-60.4 (-31.4%)	+26.7 ( +25.3% )
Ordinary profit	117.7	144.0	162.6	+44.8 ( +38.1% )	+18.5 ( +12.9% )
Net income	49.5	33.7	42.8	-6.6 (-13.5%)	+9.0 ( +26.9% )

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

## Assumption of Business Forecasts - Domestic P&C

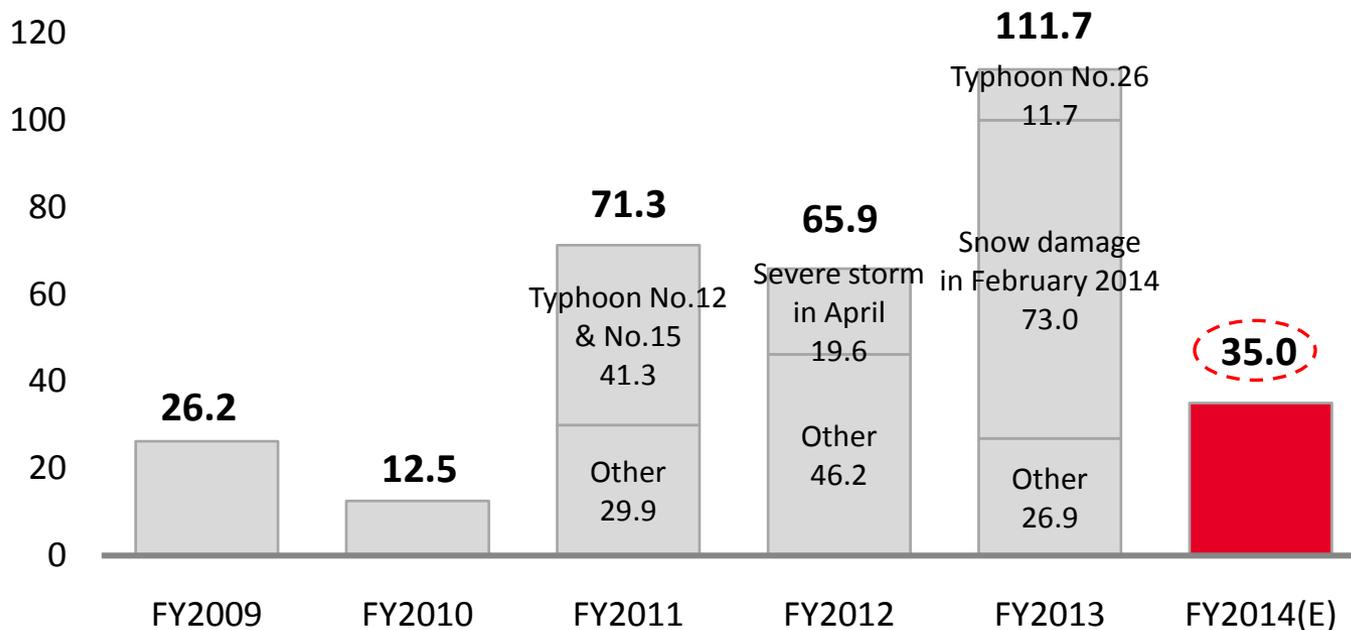
	FY2014 previous forecasts	FY2014 revised forecasts
<b>Losses from domestic natural disasters</b> (occurring in the fiscal year)	¥43.0 billion	¥35.0 billion
<b>Thai floods</b>	Net claims paid : ¥4.6 billion	Net claims paid : ¥4.6 billion
<b>Snow Damage in February 2014</b>	Net claims paid : ¥59.1 billion	Net claims paid : ¥72.5 billion
<b>Catastrophic loss reserve</b>	Net reversal : ¥16.5 billion	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%	Provision rate of fire group : 10.0% Provision rate of automobile group : 5.5%
<b>Market indicators</b>	(Stock) Nikkei 225 : ¥14,827 (Interest yield) 10y JGB : 0.64% (Foreign exchange) 1US\$ : ¥102.92 1Euro : ¥141.65	(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 : ¥100.7 billion    Net : ¥55.6 billion	Gross : ¥106.3 billion    Net : ¥61.1 billion
<b>Realized gains on securities</b>	Realized gains on security sales : ¥49.2 billion Impairment losses on securities : ¥3.0 billion	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	Net provision : ¥8.9 billion

## (Reference) Domestic Natural Disasters

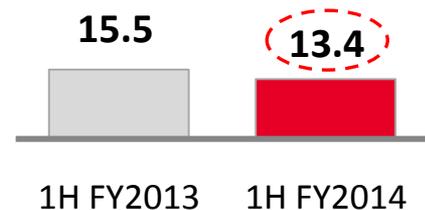
- ◆ In 1H FY2014, incurred losses for domestic natural disasters totaled ¥13.4 billion.  
(¥35.0 billion is estimated for FY2014.)

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

(Billions of yen)



### Trend of 1H Results



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

\* Excluding Great East Japan Earthquake

## (Reference) Snow Damage in February 2014

◆ In 1H FY2014, the impact on underwriting profit was ¥28.4 billion due to the reversal of outstanding loss reserve.

### The impact of snow damage in February 2014

	(Billions of yen)				
	By the end of FY2013 (cumulative)	April to September 2014			By the end of 1H FY2014 (cumulative)
	Total	Total	Fire and allied lines	Voluntary automobile	Total
Net claims paid	20.8	60.7	54.8	4.5	81.6
Provision of outstanding loss reserve	52.1	-40.4	-36.0	-3.3	11.7
Net Loss Occurred	73.0	20.3	18.8	1.1	93.4
Reversal of catastrophic loss reserve	8.4	48.7	44.2	4.5	57.1
Impact on underwriting profit	-64.6	28.4	25.4	3.3	-36.2

\* 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.

1. Trend of business results P. 2

2. Domestic P&C insurance P. 14

**3. Domestic Life insurance P. 32**

4. Overseas insurance, etc. P. 43

5. ERM & Capital Policy P. 52

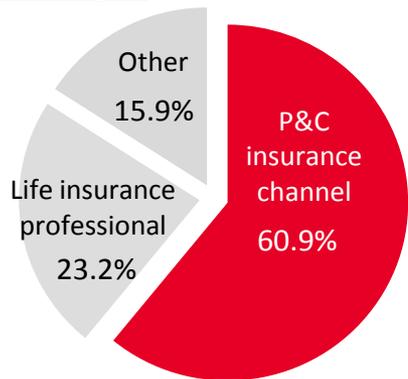
Appendix P. 62

# Strategies for Domestic Life Business

◆ Achieve sustained growth with a high profit margin by utilizing our P&C insurance sales channels and focusing on high-margin protection-type products.

## Sales channel strategy

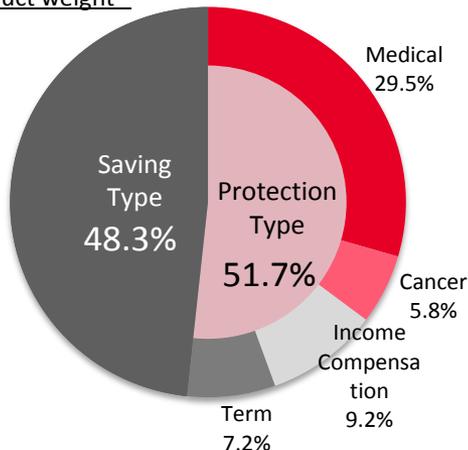
Channel weight\*1



- Utilizing P&C agency network, i.e. no need to develop new infrastructure for sales from scratch.
- There is room to broaden cross-selling to the P&C customer base of 20 million customers through P&C agency network.

## Product portfolio strategy

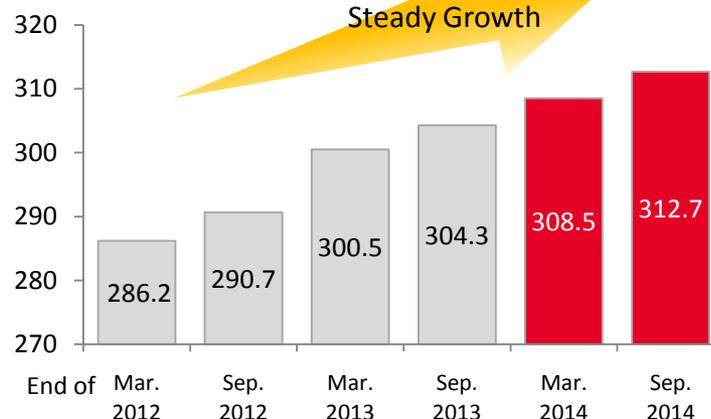
Product weight\*2



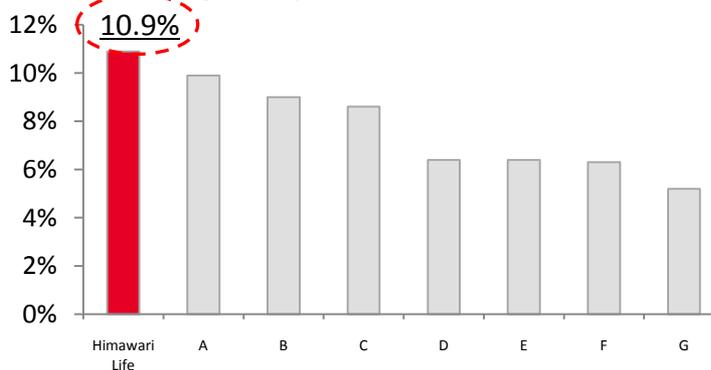
- Focusing on highly profitable protection-type products.

## Growth with high margin

Trends of annualized premium in force (Billions of yen)



New business margin comparison (MCEV, EEV)



(Note) Himawari Life, D, and G adopt MCEV.  
A, B, C, E, and F adopt EEV.

Source: Company disclosures (FY2013)

\*1 Annualized new premium from April 1, 2014 to September 30, 2014

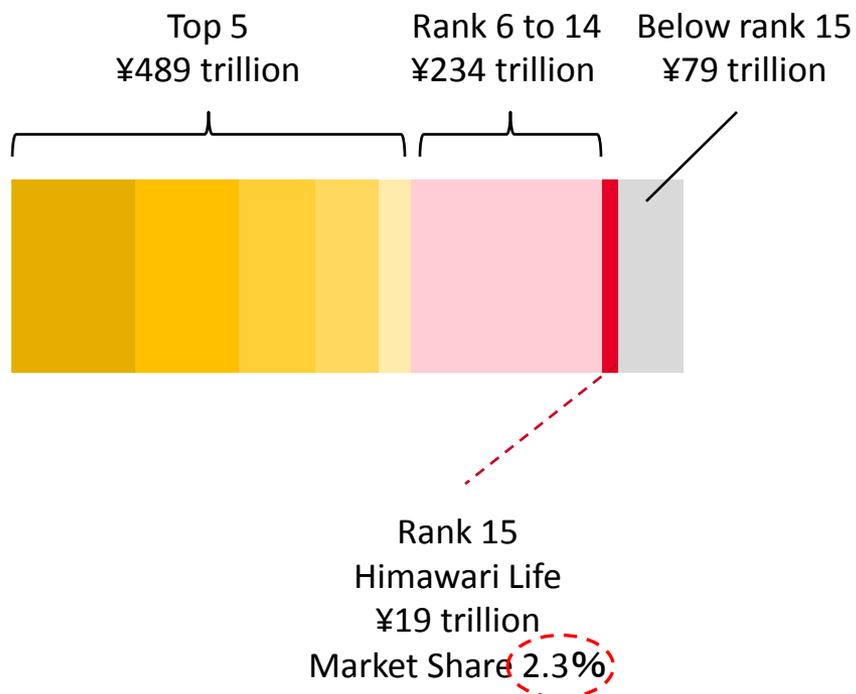
\*2 Annualized premium in force as of September 30, 2014

# Himawari Life's Position

◆ Market share in medical insurance is expected to increase drastically in FY2014 due to new medical insurance.

## Position in Japanese life insurance market

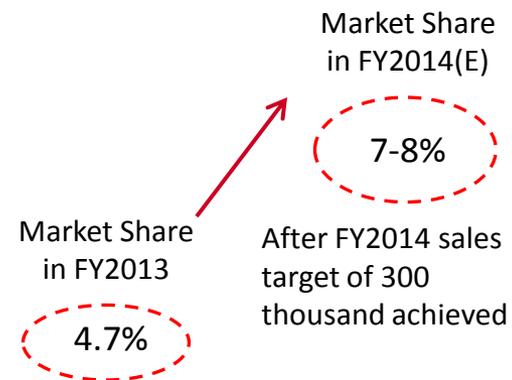
Amount of policies in force (At the end of FY2013)



Number of sales of medical insurance (FY2013)

(Ten thousand)

1	A	70
2	B	45
3	C	37
4	D	33
5	E	26
6	F	19
7	Himawari Life	17
8	G	15

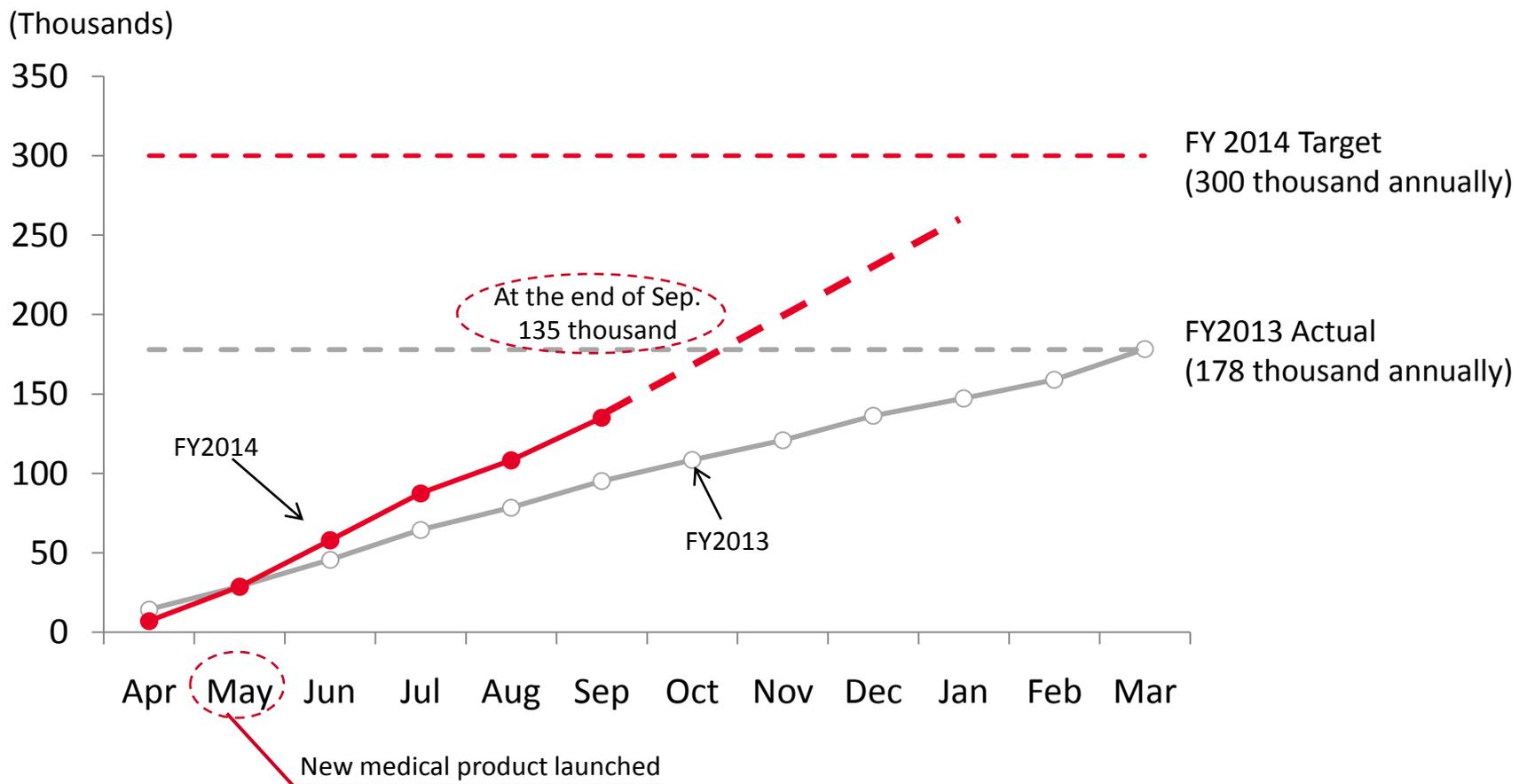


\* Excluding Japan Post Insurance Co. Ltd. and individual annuities.

# Sales of New Medical Insurance Products

◆ The new products are selling well to achieve FY2014 sales target of 300 thousand.  
 (Reference: The medical insurance products were sold 178 thousand in FY2013.)

## Number of sales of medical insurance



## Acceleration of Growth

- ◆ Enhance sales base centering on P&C agents and utilize growing channels, such as professional life agents and bank channels.
- ◆ Positively aim customer-oriented product development and service.

### Strengths of Himawari Life

#### 1. Customer base of the Group

20 million P&C customers from Sompo Japan Nipponkoa

#### 2. Access to P&C customers

Contact with P&C customers on a regular basis (renewal, claim settlement)

#### 3. Diversified channels

P&C insurance agent; life insurance agent; financial institution; corporate; association; certified public accountant; direct sales staff; DM

### (Reference) Product development history

FY2008 Medical insurance • • • Focus on shortened hospital stay and highly advanced medical technology

FY2009 Income compensation insurance • • • Focus on non smoker and healthy people

FY2010 Cancer insurance and rider • • • Focus on outpatient treatment

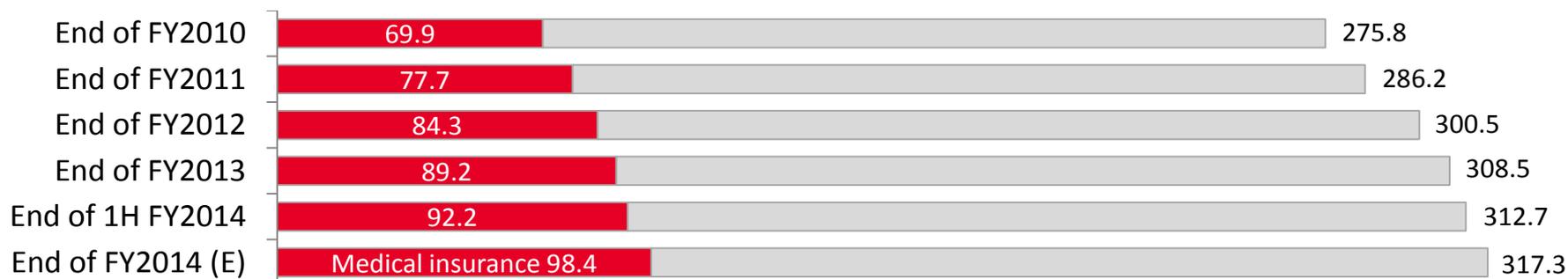
FY2014 Medical insurance • • • Increased coverage and price appeal (reflecting the shortening hospital stay)

## Annualized Premium in Force and MCEV

- ◆ MCEV is expanding due to growth in highly profitable protection-type products (medical insurance, etc).

### Trends of annualized premium in force

(Billions of yen)



### Trends of MCEV

(Billions of yen)



## Annualized New Premium and Annualized Premium in Force

- ◆ Increase in business in force contributes to the trend of premium growth, especially in protection-type products.
- ◆ Annualized new premium in FY2014 is expected to increase sharply by sales of new medical insurance products.

	FY2014					(Billions of yen)		
	FY2013 (Actual)	(Previous forecasts)	(Revised forecasts)	Change (Comparison with FY2013)	Change (Comparison with the previous forecasts)	1H FY2013	1H FY2014	Change
Amount of new business	2,635.0	2,600.0	2,600.0	-35.0 (-1.3%)	- (-)	1,293.9	1,196.6	-97.3 (-7.5%)
Annualized new premium	30.4	41.0	43.6	+13.2 (+43.4%)	+2.6 (+6.3%)	15.0	17.3	+2.2 (+14.9%)
Premium and other income	372.8	383.7	381.2	+8.3 (+2.2%)	-2.4 (-0.6%)	182.4	185.2	+2.7 (+1.5%)
(excl. lump-sum payment)	369.0	379.4	377.8	+8.7 (+2.4%)	-1.5 (-0.4%)	180.4	183.6	+3.2 (+1.8%)
Ordinary profit	17.2	16.2	21.2	+4.0 (+23.4%)	+5.0 (+31.4%)	7.3	15.0	+7.6 (+104.9%)
Net income	8.0	7.5	11.0	+2.9 (+37.1%)	+3.5 (+47.3%)	3.3	7.9	+4.6 (+140.6%)

	(Billions of yen)			(Billions of yen)	
	End of FY2013	End of 1H FY2014	Change	Change	Change
Amount of business in force	20,245.5	20,635.9	+390.3 (+1.9%)		
Annualized premium in force	308.5	312.7	+ 4.2 (+1.4%)		
				Breakdown	
				Protection-type	+3.6
				Saving-type	+0.5
				Total	+4.2

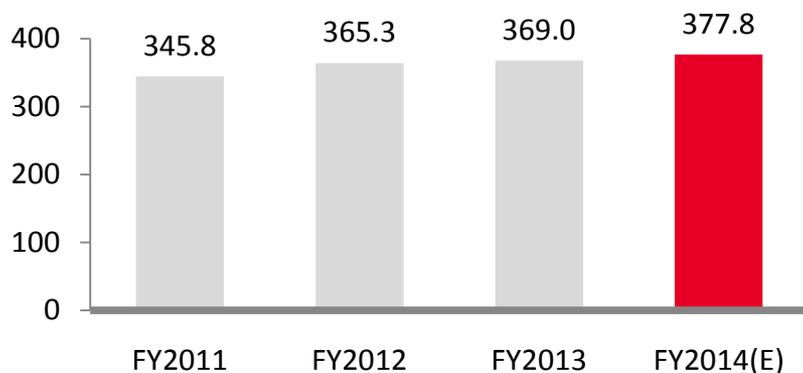
\* Amount of business and annualized premium are the sum of individual insurance and individual annuities.

## Premium and Other Income

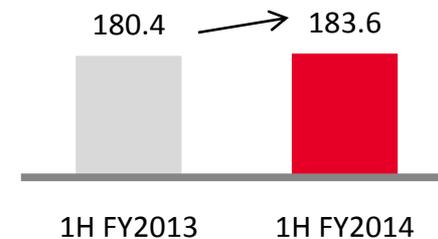
◆ Insurance premiums excluding low-margin lump-sum payment products steadily increased.

### Income from insurance premium (excluding lump-sum payment)

(Billions of yen)



#### Trend of 1H Results

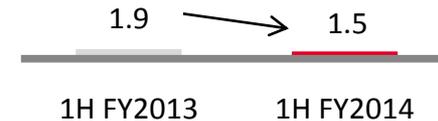


### Income from insurance premium (lump-sum payment)

(Billions of yen)



#### Trend of 1H Results

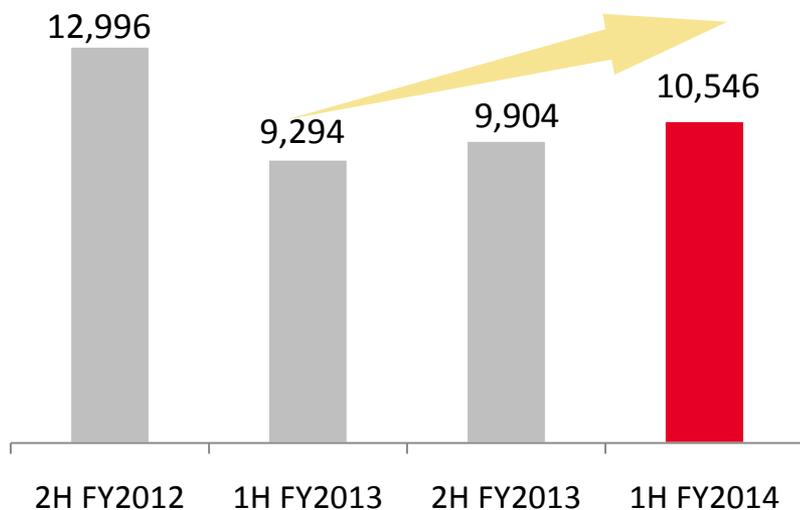


## Trend of P&C Insurance Channel and Weight of Protection-type Products

◆ Sales has steadily increased in P&C channels, and weight of protection-type products stays high.

### Trends of sales in P&C insurance channels

(Millions of yen)

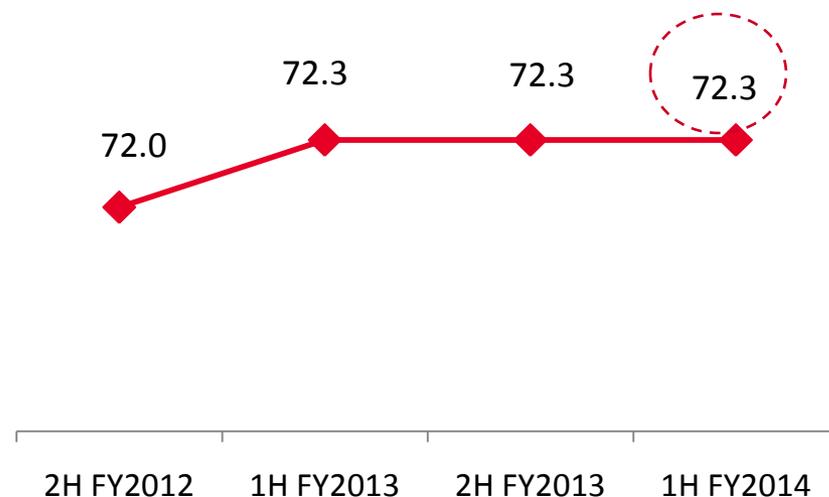


\* Front-loaded demand ahead of the rate revision was observed in 2H FY2012.

(Note) Annualized new premium

### Weight of protection-type products

(%)



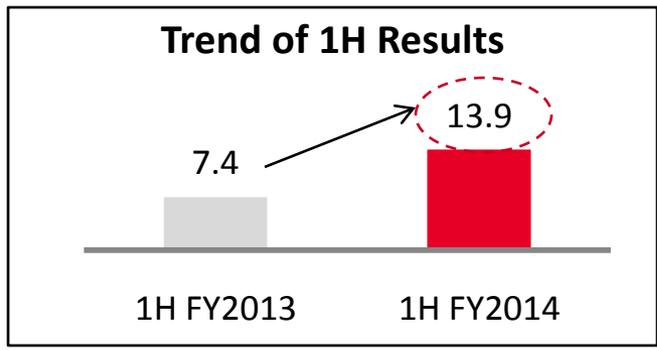
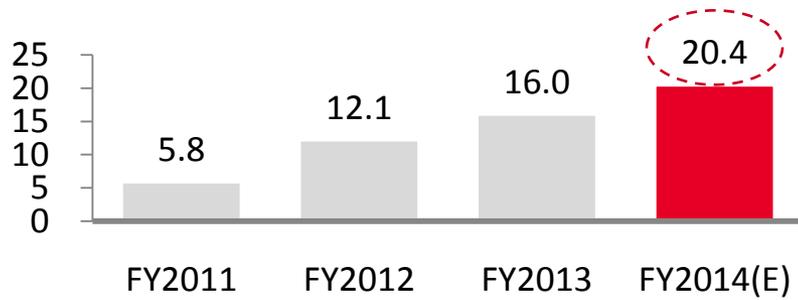
(Note) Number of policies in force

# Profit (J-GAAP)

◆ Bottom-line in 1H FY2014 is on improving trend, and net income has steadily grown as policies in force increased.

## Basic profit\*

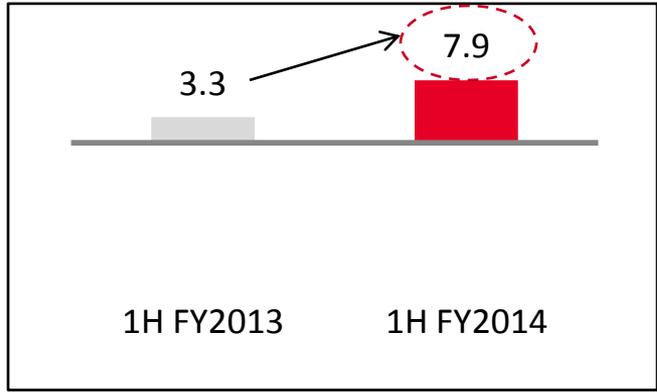
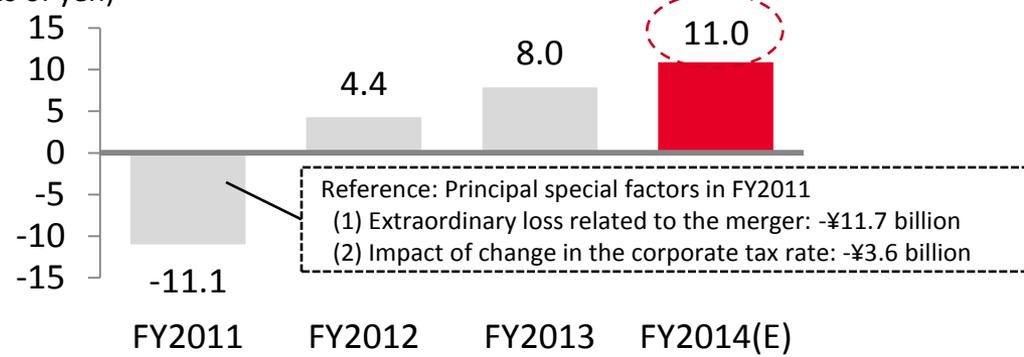
(Billions of yen)



\* 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) Embedded Value (MCEV)

◆ A high level of growth in adjusted EV is expected to continue due to favorable sales of protection-type products.

### Growth in adjusted EV

(Billions of yen)

	FY2012 (Actual)	FY2013 (Actual)	FY2014 (Forecast)	Change
New Business Value	47.1	46.3	54.0	+ 7.7
Expected existing business contribution	33.8	38.7	41.0	+ 2.3
<b>Sub-total</b>	<b>80.9</b>	<b>85.0</b>	<b>95.0</b>	<b>+ 10.0</b>
Experience variances and assumption change	26.9	0.7	-15.0	-15.7
<b>Growth in adjusted EV</b>	<b>107.8</b>	<b>85.7</b>	<b>80.0</b>	<b>-5.7</b>
Other operating/non-operating variances*	-20.4	-2.7	-	+ 2.7
Economic variances	-28.0	-7.5	-	+ 7.5
Change of EV amount	59.4	75.5	80.0	+ 4.5
<b>EV as of the end of fiscal year</b>	<b>674.8</b>	<b>750.3</b>	<b>830.3</b>	<b>+80.0</b>

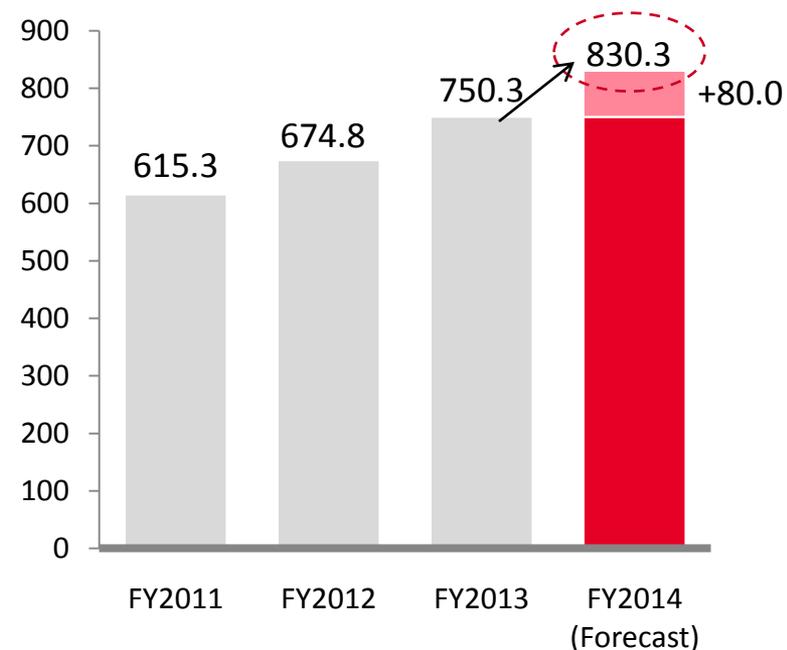
\* Other operating/non-operating variances

(1) FY2012 : Change in surrender risk factor in non-hedgeabel risks, and consumption tax hike, etc.

(2) FY2013 : Refine the balance model, etc.

### Trends of MCEV

(Billions of yen)



(Note) Change of MCEV does not agree with growth in adjusted EV because there are economic variances and other operating/non-operating variances.

1. Trend of business results P. 2

2. Domestic P&C insurance P. 14

3. Domestic Life insurance P. 32

4. Overseas insurance, etc. P. 43

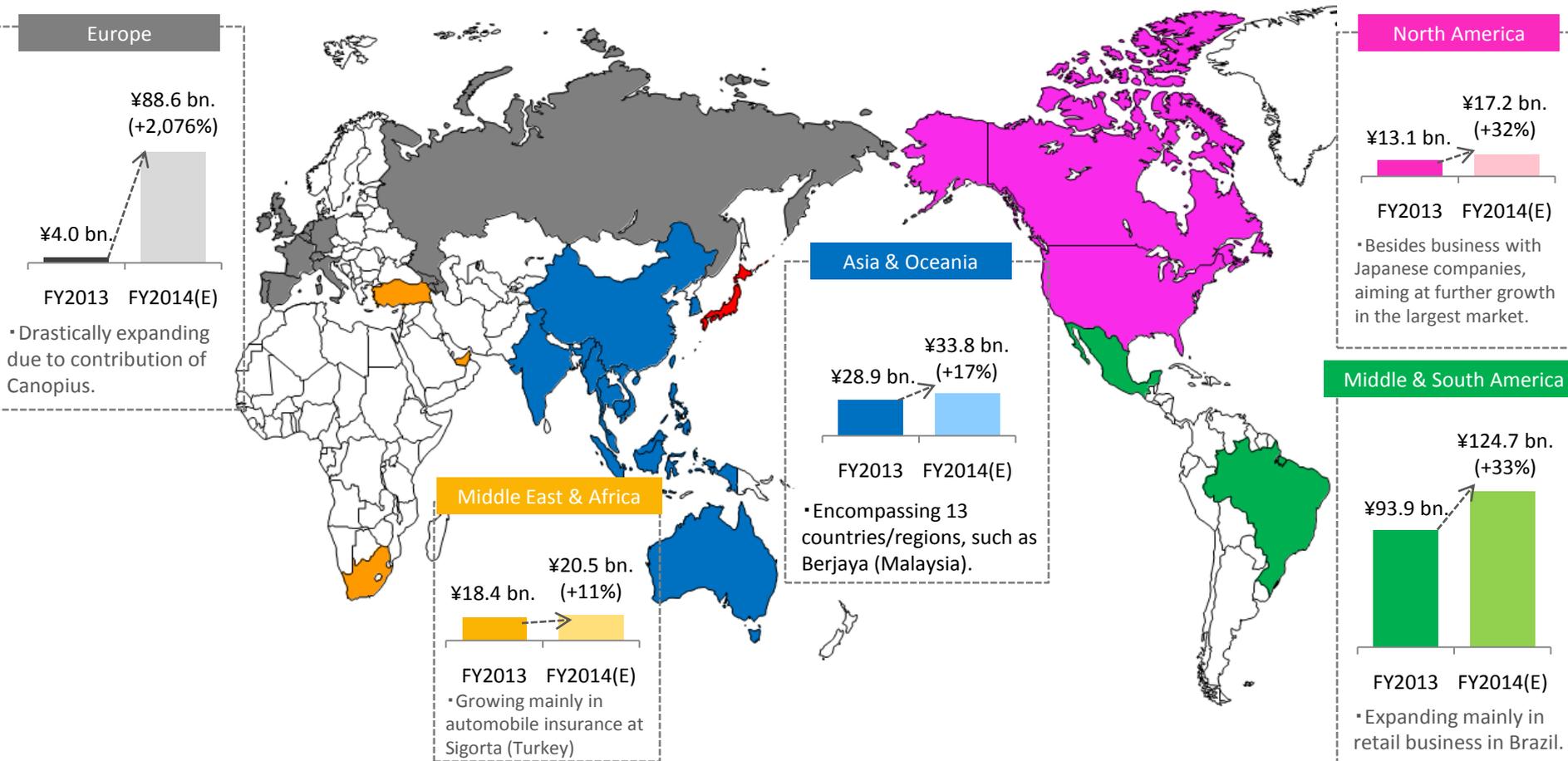
5. ERM & Capital Policy P. 52

Appendix P. 62

# Global Expansion

- ◆ Our group boasts a global network encompassing 231 cities in 32 countries and regions, such as Brazil and UK.
- ◆ Besides organic growth, we will consider disciplined investments to keep sustainable growth.

## Premiums written in each area\*



\* Premiums written are those underwritten only by foreign subsidiaries, and, therefore, do not include those underwritten abroad by Sompo Japan Nipponkoa.

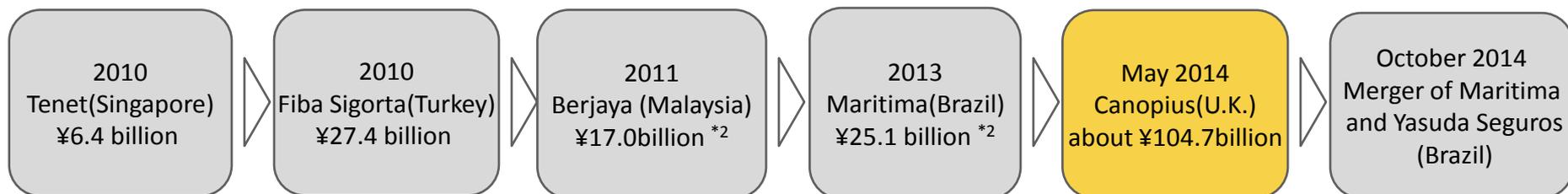
## Overseas Investment Strategy

- ◆ By disciplined investments, we aim to achieve both sustainable growth and shareholder value enhancement.
- ◆ We aim to steadily expand profits from overseas business through a well-balanced combination of investments in emerging markets, which are expected to contribute to profits over the mid to long terms, and in developed markets, which are expected to contribute immediate profits.

Business Area	Direction	Target Countries		
Retail *1	Bring in future growth	Key regions	Brazil, Turkey, Malaysia	Already ranked around 10 <sup>th</sup> in the market, aiming to be a major player
		Business platform development regions	Other emerging countries	Anticipating future growth
Commercial	Contribute to stable earnings	European and American markets (including reinsurance)		

\*1 Mainly P&C insurance business, but not excluding life insurance business

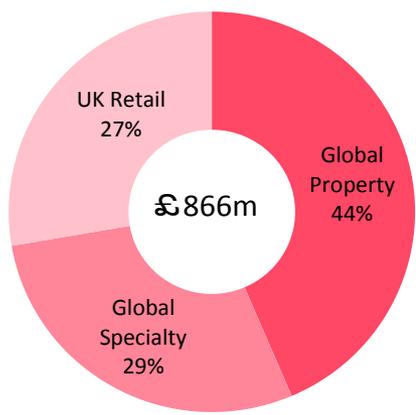
### Overseas investments since 2010



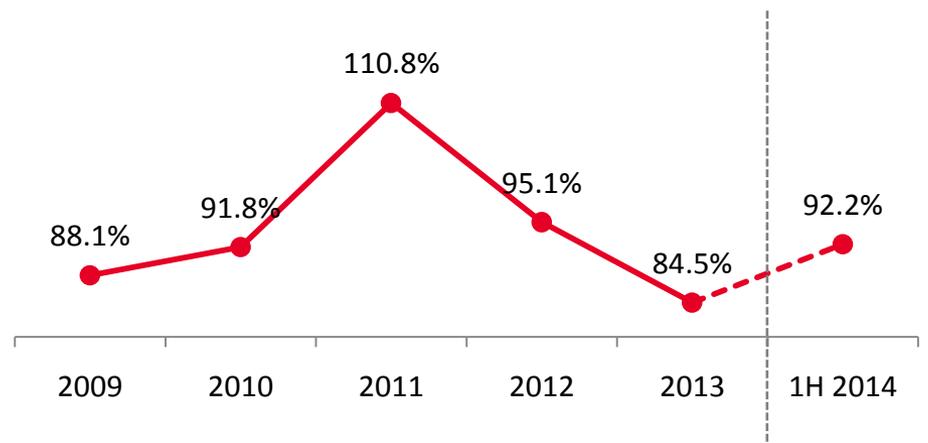
# (Reference) Performance of Canopus

◆ Canopus has maintained its diversified portfolio and achieved good results.

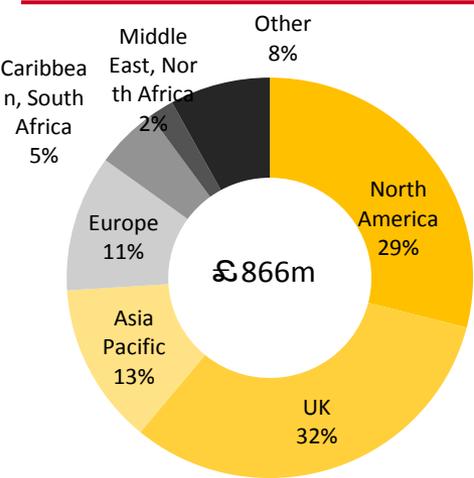
**Gross premiums written by business unit for 2013**



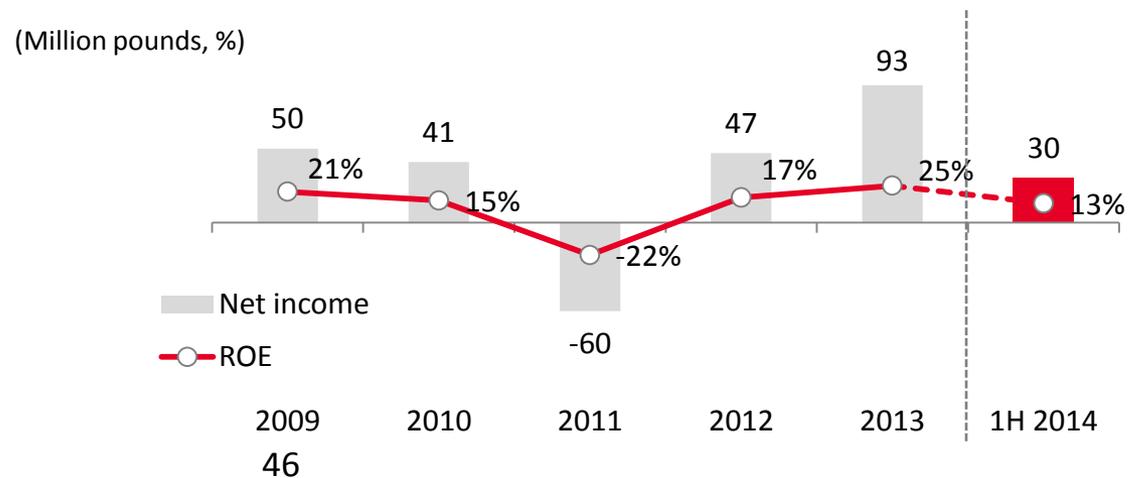
**Combined ratio**



**Gross premiums written by region for 2013**



**Net income and ROE**



## Overseas Assumed Reinsurance Business

- ◆ Develop the overseas reinsurance business from the viewpoint of ERM including diversifying effect, accumulation risk management and profitability.
- ◆ Optimize the group strategy for assumed reinsurance business, utilizing resources in Canopius.

### Sompo Japan Nipponkoa

#### Business category (Prioritized point)

##### General risk in Asia

- Markets with high growth potential
- In Hong Kong, etc. over 20 years track record

##### General risk in western countries

- Huge markets centered on developed countries
- Highly stable earnings

##### Risk of overseas natural disasters

- Risk of natural disasters mainly in Europe and the U.S.
- Conduct quantitative assessments and analysis using the latest technology

#### Development after the merger of Canopius

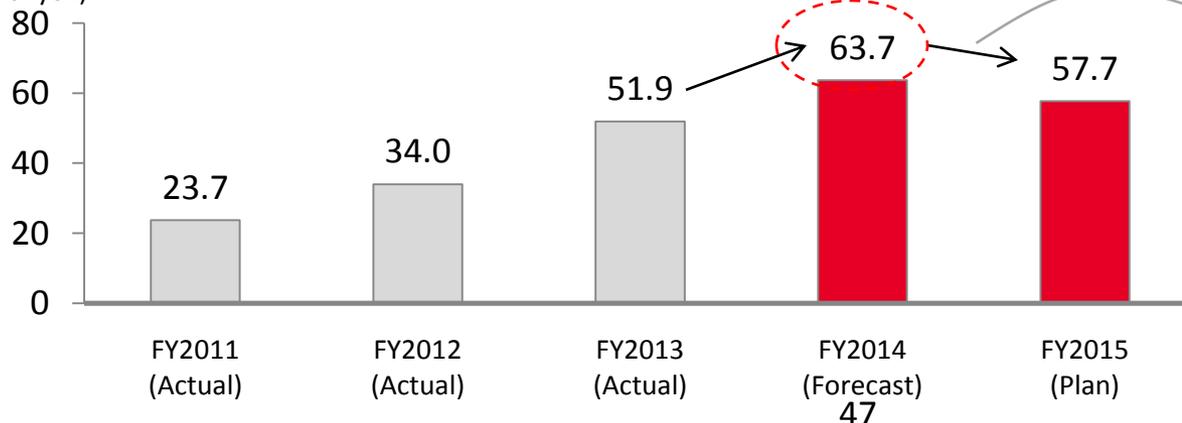
Optimize the group strategy for assumed reinsurance business

- Sep. 2014: Integrated offices in Zurich

Utilize resources in Canpious for further development

### Trends of overseas assumed reinsurance net premiums written

(Billions of yen)



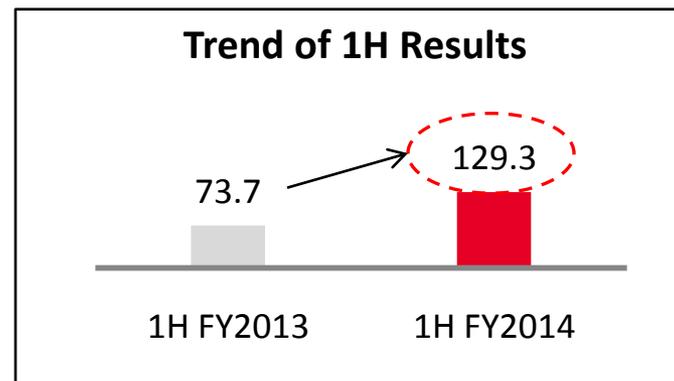
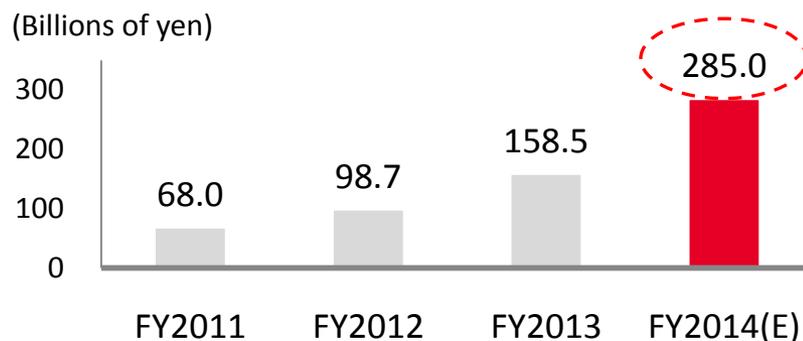
• Taking into account change in assumed reinsurance from Canopius and soft market environment.

\* Overseas assumed reinsurance net premium written is included in the domestic P&C insurance business for the management numerical targets.

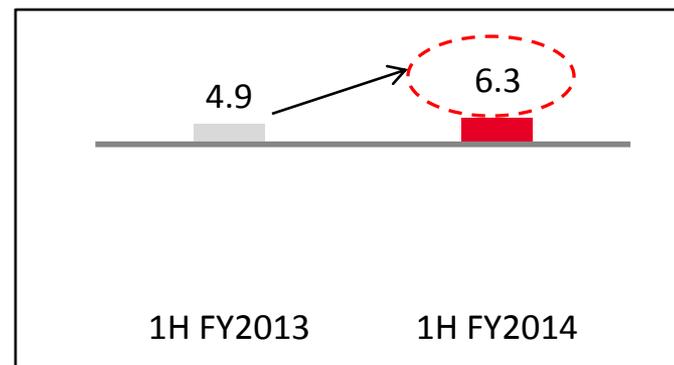
## Trend of Overseas Insurance Business

◆ Top-line has steadily grown, and bottom-line was in line with the fiscal year plan.

### 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.

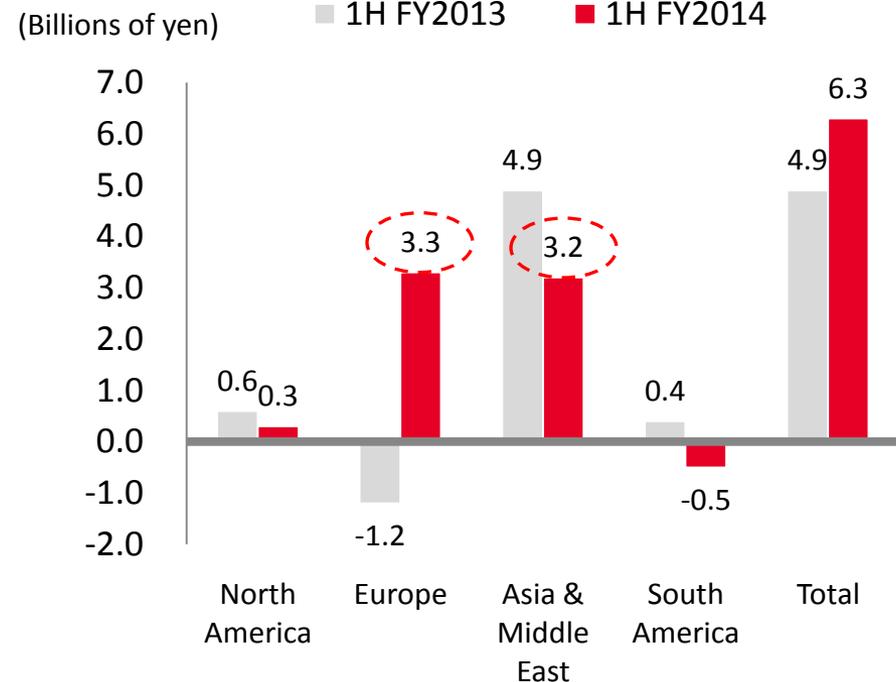
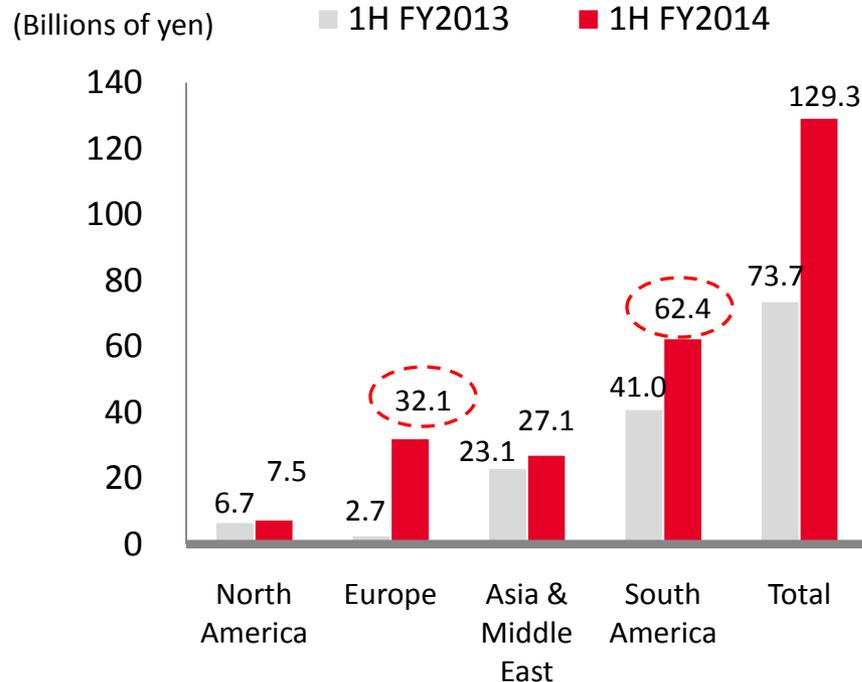
\* The net income figure has been adjusted to reflect shareholdings and other factors, and is stated on a different basis from that of the consolidated financial statements.

## Overview of 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.

## Overview of Business Results by Company

- ◆ Top-line has steadily grown. Canopius' profit started to be consolidated, and SJ Sigorta and Tenet Sompo contributed to bottom-line.

### Business results of overseas subsidiaries

(Billions of yen)

		Net premiums written			Net income		
		1H FY2014 (Actual)	change	FY2014 (Forecast)	1H FY2014 (Actual)	change	FY2014 (Forecast)
North America	SJ America	7.5	+0.8	17.2	0.3	-0.3	1.2
Europe	SJNK Europe + NK Europe	2.8	+0.0	5.1	0.0	+1.3	0.3
	Canopius (UK)	29.2	+29.2	83.4	3.3	+3.3	7.9
Asia & Middle East	SJ Sigorta (Turkey)	10.1	+0.8	20.5	1.6	+0.4	1.5
	Tenet Sompo (Singapore)	4.1	+1.3	8.7	0.7	-2.1	0.3
	Berjaya (Malaysia)	5.5	+0.8	10.8	0.5	-0.0	1.2
	SJNK China + NK China	4.2	+0.5	7.7	-0.0	+0.0	0.0
	SJNK H.K. + NK Asia	1.9	+0.1	4.0	0.3	-0.0	0.3
	Other	1.1	+0.2	2.4	0.0	+0.0	-0.0
South America	Yasuda Maritima (Brazil)	62.4	+21.3	124.7	-0.5	-1.0	1.1
Total		129.3	+55.5	285.0	6.3	+1.4	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 adjust Canopius' consolidated profits that had been realized before the completion of the acquisition in May 2014.)

## Expansion of Financial and Other Services

- ◆ Developed businesses, starting with the assistance business, to provide services contributing to our customers' security, health, and wellbeing.

### Recent developments in financial and other services

#### Apr. 2012: Entry into assistance business

Established Prime Assistance, and began providing the road assistance services attached to automobile insurance policy.

#### Sep. 2012: entry into nursing care business

Entered into nursing care business through Cedar, which has strength in rehabilitation.

#### Jul. 2014: Entry into Automobile repair business in China

Started to operate a vehicle maintenance workshop on a trial basis with SAIS, which is a group company of the largest Chinese Auto maker, Shanghai Automotive Industry Corporation.

#### Aug. 2014: Alliance with ALSOK

Entered into Memorandum of Understanding to aim to jointly consider services utilizing our customer base and ALSOK's know-how.

#### Nov. 2013: Alliance with IJ

Entered into a Memorandum of Understanding to aim to expand new service businesses, such as the joint operation of platforms, clouds, and so on.

1. Trend of business results P. 2

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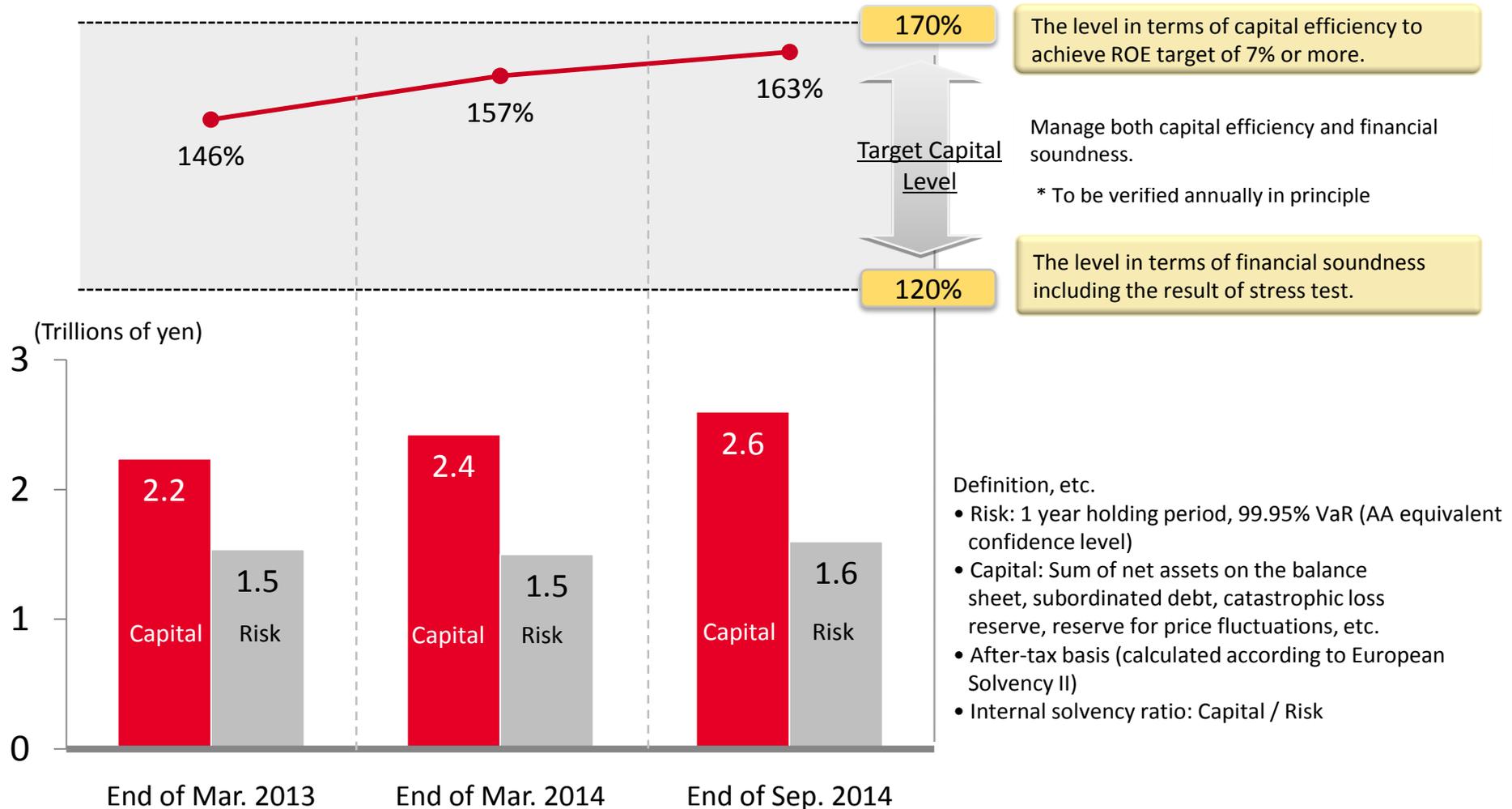
**5. ERM & Capital Policy P. 52**

Appendix P. 62

# Financial soundness – Internal Standard

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

## Trend of internal solvency ratio



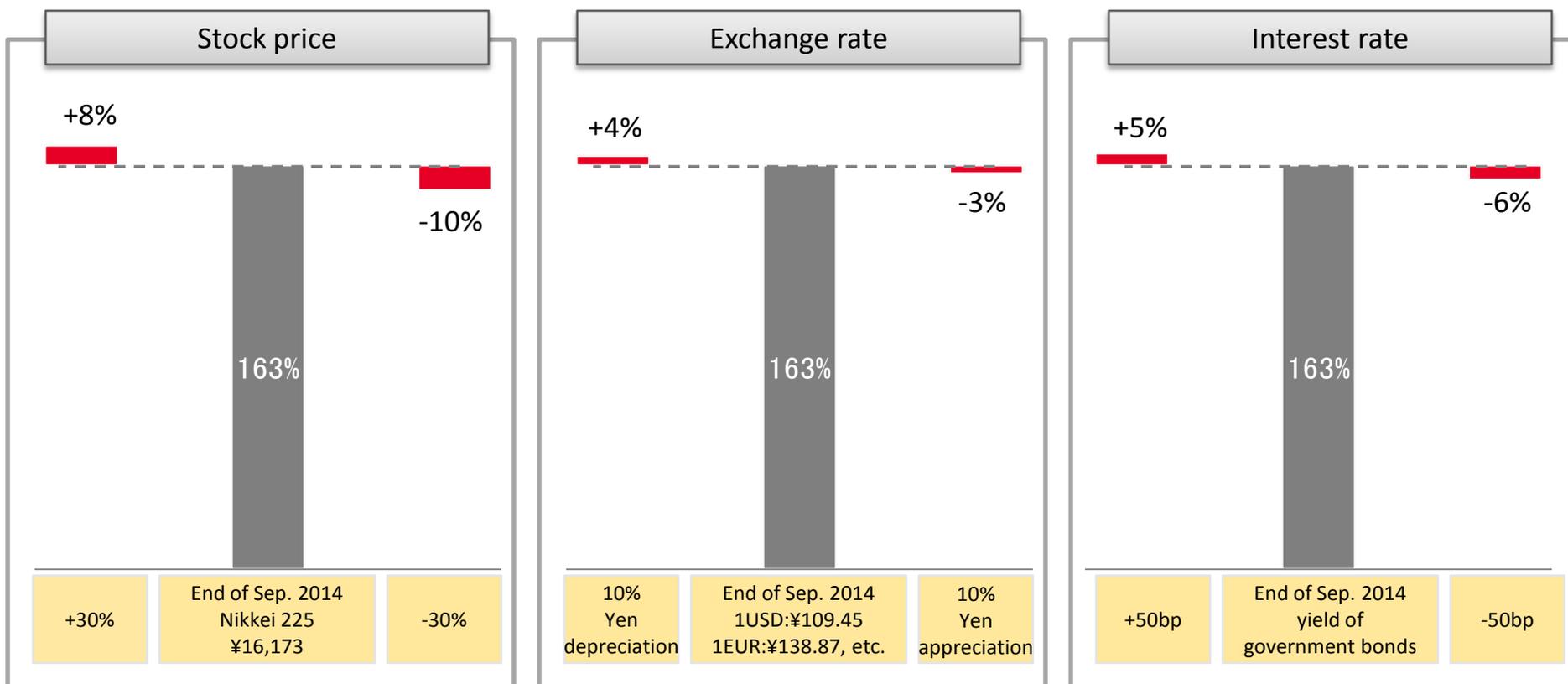
- Definition, etc.
- Risk: 1 year holding period, 99.95% VaR (AA equivalent confidence level)
  - Capital: Sum of net assets on the balance sheet, subordinated debt, catastrophic loss reserve, reserve for price fluctuations, etc.
  - After-tax basis (calculated according to European Solvency II)
  -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

# Market sensitivity

◆ Aim to control market sensitivity appropriately.

## Market sensitivity of internal solvency ratio

■ : Internal solvency ratio ■ : Change

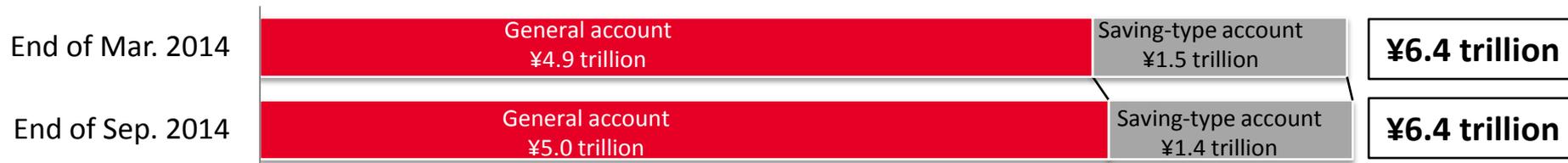


\* Calculating by parallel shift in yield curve of government bond.  
(Minus yield changed into 0%)

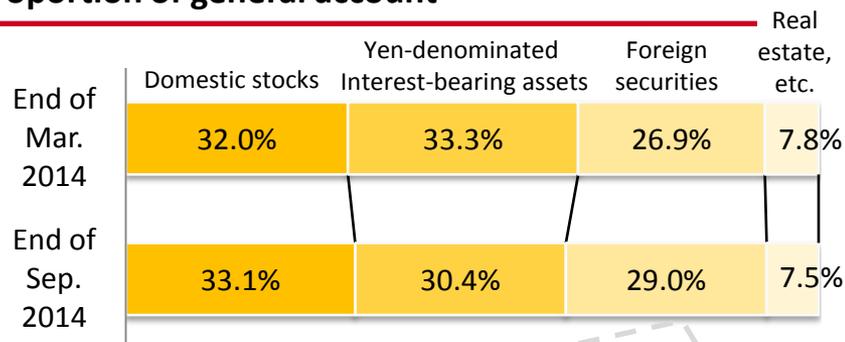
## Asset Portfolio (Sompo Japan Nipponkoa)

- ◆ 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)



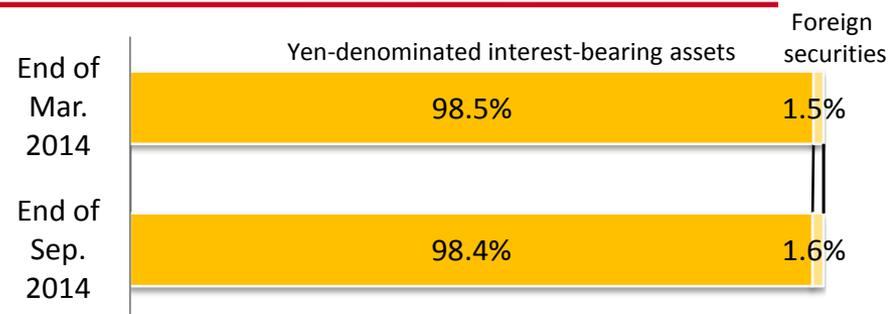
### Proportion of general account



#### Breakdown of foreign securities (foreign currencies) (End of Sep. 2014)

	USD	EUR	Others	Total
Bonds	26%	16%	10%	52%
Funds, etc.	22%	0%	1%	23%
Subsidiaries, affiliates	4%	0%	20%	24%
<b>Total</b>	<b>52%</b>	<b>16%</b>	<b>31%</b>	<b>100%</b>

### Proportion of saving-type account



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

	End of Mar. 2014	End of Sep. 2014
Asset	4.8y	4.6y
Liability	6.1y	6.1y

## Investment Portfolio (Himawari Life)

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

### Amount of investment assets (Himawari Life)



### Asset/Liability Duration

	End of Mar. 2014	End of Sep. 2014
Asset	12.9y	13.0y
Liability	16.4y	16.6y

(Note) The liability duration assumes the same interest rate sensitivity (changes in fair value) for assets and liabilities.

## Reducing strategic holding stocks

- ◆ The reduction in FY2014 is estimated to be a little less than half of the reduction in FY2013.
- ◆ The reduction, including stock future, amounted to ¥42.9 billion in 1H FY2014, and in line with the fiscal year plan.

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

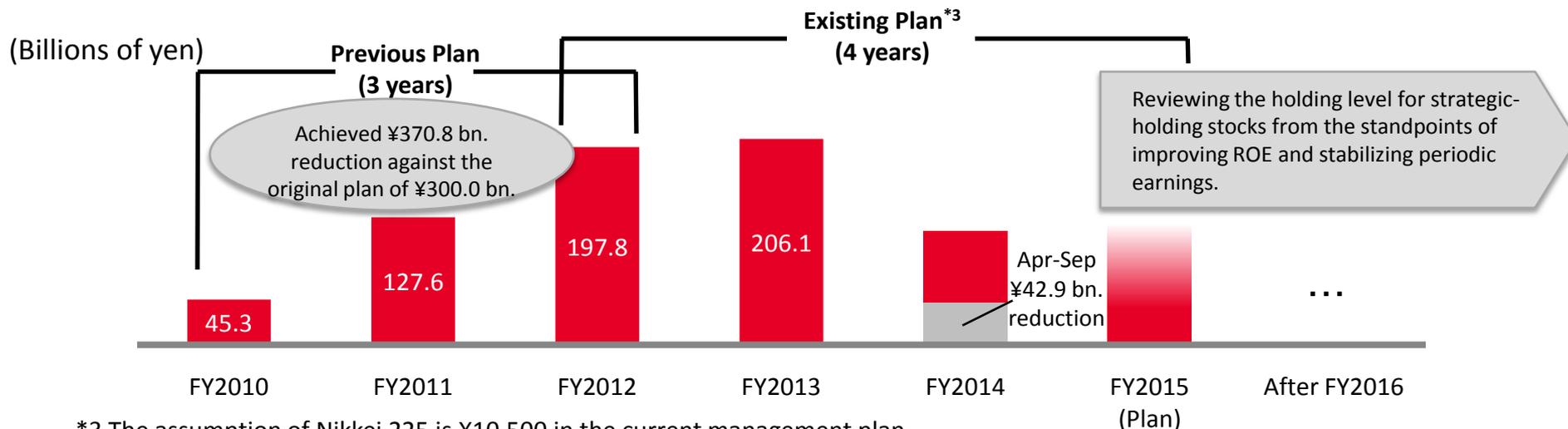
	Actual	Stock Future <sup>*2</sup>	Total
Sompo Japan Nipponkoa	¥30.5 billion	¥12.4 billion	¥42.9 billion

<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, ¥30 billion, decreased due to the cancellation of preferred shares.

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

### Progress of plan



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

## Shareholder Returns

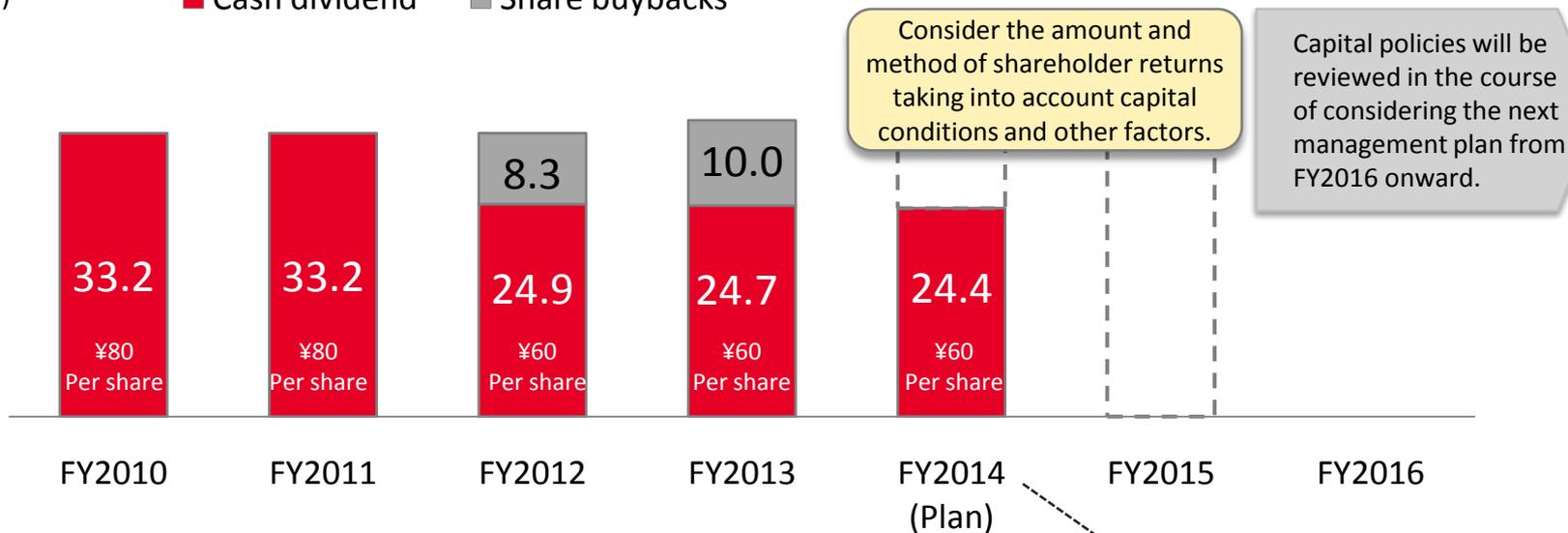
◆ While maintaining our policy of paying a stable dividend, we will consider flexible share buybacks according to capital conditions and other factors.

We continue to target a total payout ratio of 50%\*<sup>1</sup> over the medium term.

### Trends of total shareholder returns

(Billions of yen)

■ Cash dividend ■ Share buybacks\*<sup>2</sup>



(Reference)

Adjusted consolidated profit, excluding domestic life

21.0

-98.7

3.7

15.8

76.9

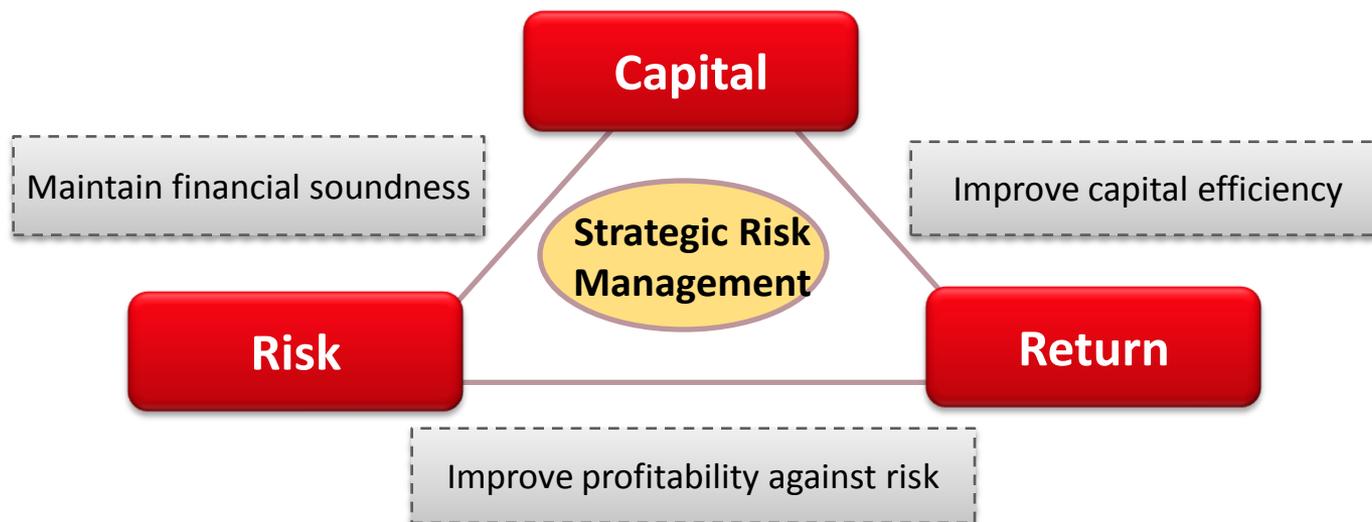
Interim dividend ¥30

\*1 Shareholder return ratio: (Cash dividend + Share buybacks)/Adjusted consolidated profit, excluding domestic life

\*2 Share buybacks for fiscal year 2012 were conducted in fiscal year 2013. Also, Share buybacks for fiscal year 2013 were conducted in fiscal year 2014.

## (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

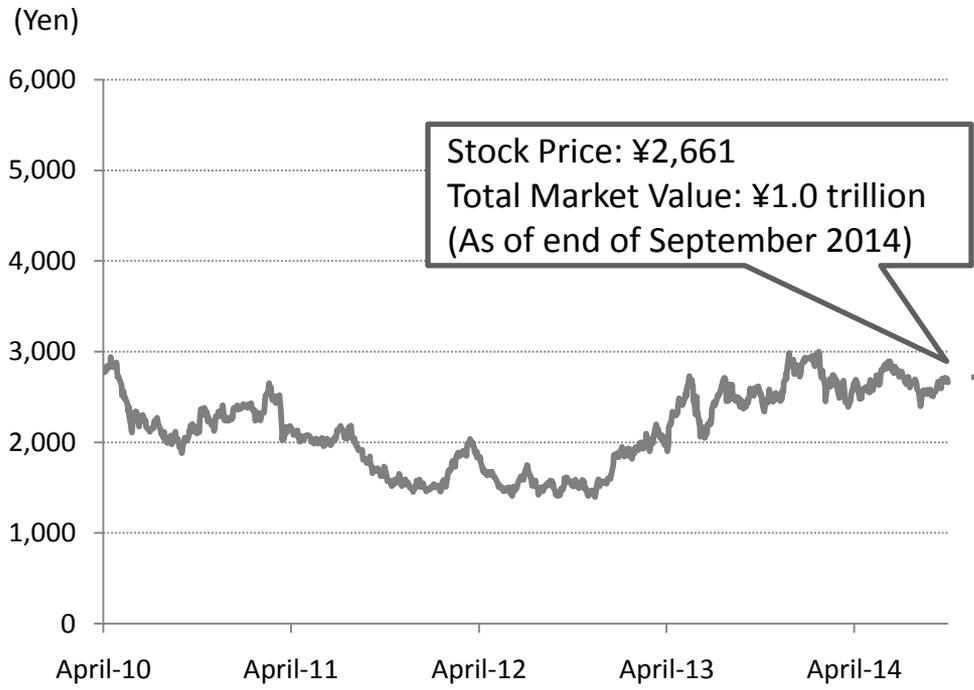
The Sampo Japan Nipponkoa Group aims to:

- (1) Become a globally competitive group, maximize corporate value by controlling the balance among capital, return and risk appropriately and improving capital efficiency.
- (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 ensuring group's sustainable growth. Targeted adjusted ROE for FY 2015 is over 7 % on consolidated basis.

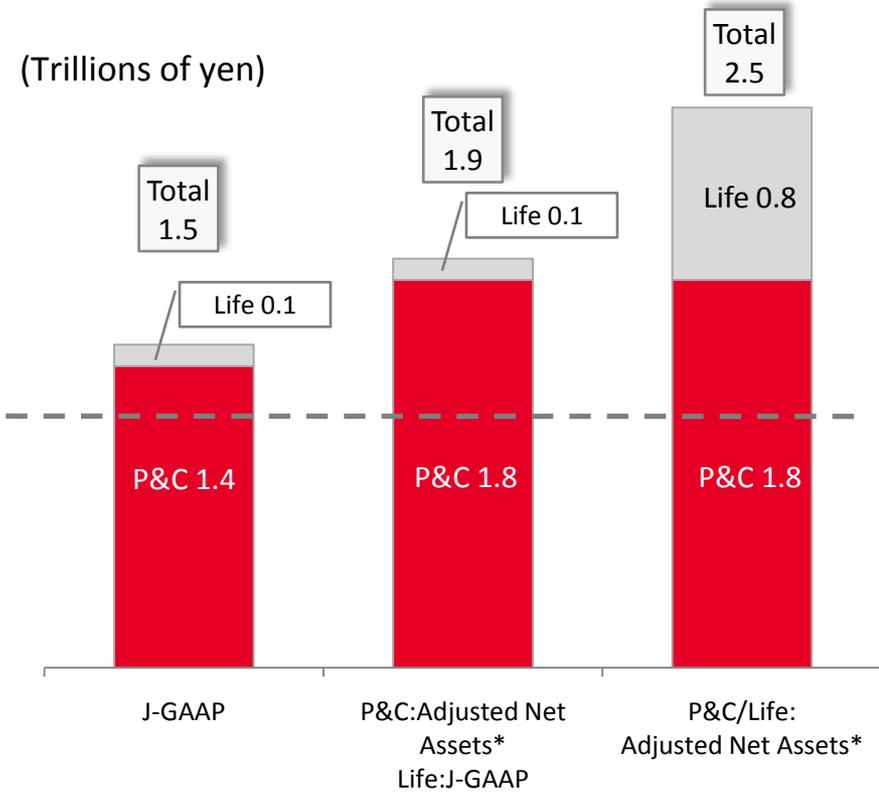
# (Reference) Trend of Stock Price and Level of Capital

◆ Aim to improve our valuation by accomplishing the management plan.

**Trends of stock price**



**Level of capital (As of end of September 2014)**

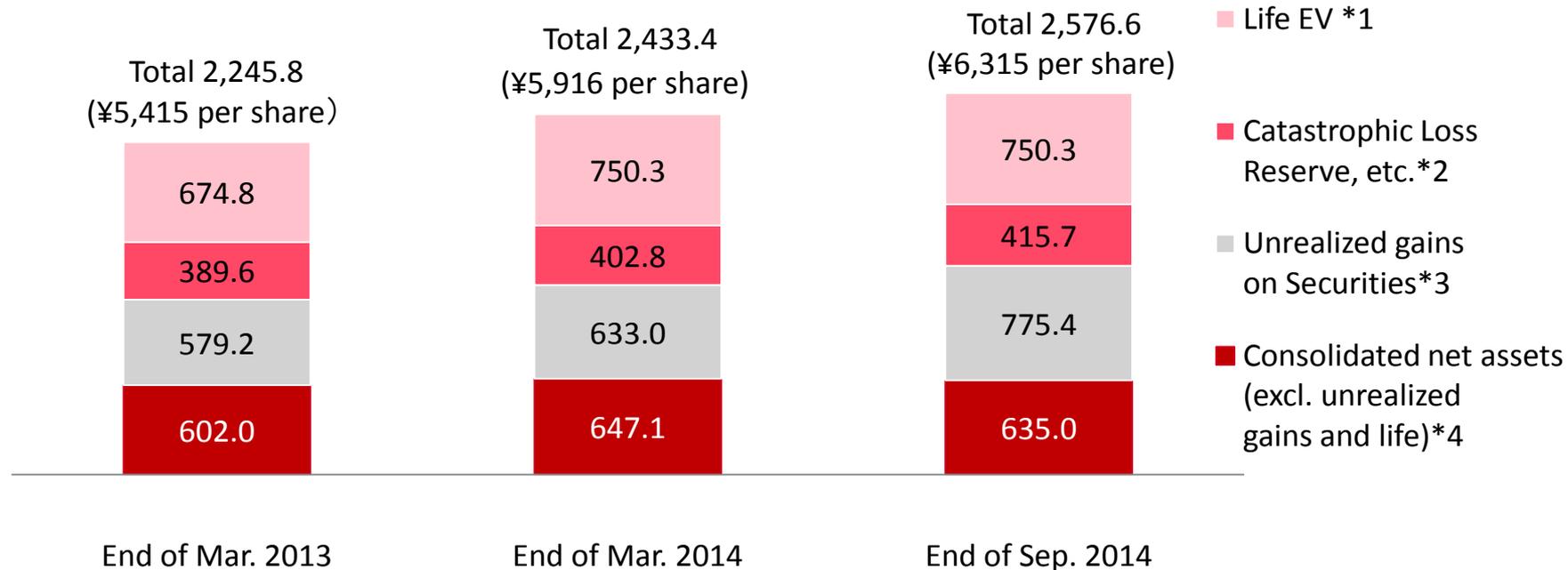


(Note) P&C adjusted net assets = Consolidated net asset (excl. unrealized gain and life) + Unrealized gains on Securities + Catastrophic Loss Reserve, etc.  
Life adjusted net assets = Life EV

## (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 September 2014 is the same 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 is after tax.

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

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**Appendix P. 62**

# Numerical Management Targets

(Billions of yen)

		FY2012 (Actual)	FY2013 (Actual)	FY2014		FY2015 (Plan)
				(Previous forecasts)	(Revised forecasts)	
Domestic P&C insurance business	Adjusted profit	-8.9	6.5	47.7	60.9	70.0 - 80.0
Sompo Japan Nipponkoa*	Net premium written	1,966.2	2,082.1	2,174.1	2,183.5	2,040.0
	(Exc. CALI)	1,691.7	1,783.9	1,869.1	1,875.2	1,740.0
	Loss ratio	72.0%	65.7%	67.8%	66.2%	65.6%
	(Exc. CALI/Fin. Guarantee)	68.8%	62.7%	65.0%	63.8%	62.8%
	Expense ratio	33.4%	32.2%	31.5%	31.3%	30.6%
(Exc. CALI)	35.2%	34.2%	33.3%	33.2%	32.6%	
Combined ratio	105.4%	97.9%	99.3%	97.5%	96.2%	
(Exc. CALI/Fin. Guarantee)	104.1%	96.9%	98.3%	96.9%	95.3%	
Domestic life insurance business	Growth in embedded value (EV)	107.8	85.7	84.0	80.0	100.0 - 110.0
Overseas insurance business	Net income as reported in financial statements	11.8	7.8	13.0	14.2	14.0 - 20.0
Financial and other services	Net income as reported in financial statements	0.7	1.5	1.3	1.7	2.0 - 3.0
Group total	Adjusted consolidated profit	111.6	101.5	146.0	156.9	180.0 - 210.0
Adjusted ROE		5.4%	4.3%	5.9%	6.2%	7% or more

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

## 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.

## Contacts

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