



SOMPO
HOLDINGS

UNOFFICIAL TRANSLATION

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Summary of
Consolidated Financial Results
for the three months ended June 30, 2018
Supplementary Information

August 10, 2018

Sompo Holdings, Inc.

(Securities Code : 8630)

Summary of Consolidated Financial Results for the three months ended June 30, 2018

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Overview of Business Results of Principal Consolidated Subsidiaries

Sompo Japan Nipponkoa Insurance Inc. (Non-consolidated)

Quarterly Balance Sheet

| | As of March 31, 2018 | As of June 30, 2018 | (Millions of yen) Increase (Decrease) |
|--------------------------------------------------------------|----------------------|---------------------|---------------------------------------------|
| | Amount | Amount | |
| Assets: | | | |
| Cash and deposits | 445,878 | 447,105 | 1,227 |
| Receivables under resale agreements | 74,998 | 69,999 | (4,999) |
| Monetary receivables bought | 6,301 | 6,411 | 110 |
| Money trusts | 98,613 | 93,828 | (4,785) |
| Securities | 5,491,040 | 5,441,705 | (49,334) |
| Loans | 661,399 | 642,325 | (19,074) |
| Tangible fixed assets | 244,366 | 242,390 | (1,975) |
| Intangible fixed assets | 79,404 | 87,184 | 7,780 |
| Other assets: | 596,552 | 571,486 | (25,066) |
| Prepaid pension cost | 669 | 621 | (47) |
| Allowance for possible credit losses | (3,570) | (3,567) | 3 |
| Allowance for possible investment losses | (7,476) | (7,476) | — |
| Total assets | 7,688,176 | 7,592,013 | (96,162) |
| Liabilities: | | | |
| Underwriting funds: | 4,766,933 | 4,791,020 | 24,087 |
| Reserve for outstanding losses and claims | 907,429 | 905,669 | (1,760) |
| Underwriting reserves | 3,859,504 | 3,885,351 | 25,847 |
| Corporate bonds | 433,560 | 433,560 | — |
| Other liabilities | 651,635 | 501,659 | (149,976) |
| Reserve for retirement benefits | 92,974 | 94,109 | 1,134 |
| Reserve for bonus payments | 18,435 | 5,175 | (13,260) |
| Reserve for bonus payments to directors | 97 | — | (97) |
| Reserves under the special laws: | 79,193 | 80,232 | 1,038 |
| Reserve for price fluctuation | 79,193 | 80,232 | 1,038 |
| Deferred tax liabilities | 70,750 | 71,493 | 742 |
| Total liabilities | 6,113,580 | 5,977,249 | (136,330) |
| Net assets: | | | |
| Shareholders' equity: | | | |
| Common stock | 70,000 | 70,000 | — |
| Capital surplus | 70,000 | 70,000 | — |
| Retained earnings | 459,119 | 498,274 | 39,155 |
| Total shareholders' equity | 599,119 | 638,274 | 39,155 |
| Valuation and translation adjustments: | | | |
| Unrealized gains and losses on securities available for sale | 968,426 | 969,977 | 1,551 |
| Deferred gains and losses on hedges | 7,050 | 6,511 | (539) |
| Total valuation and translation adjustments | 975,477 | 976,489 | 1,012 |
| Total net assets | 1,574,596 | 1,614,764 | 40,167 |
| Total liabilities and net assets | 7,688,176 | 7,592,013 | (96,162) |

Sompo Japan Nipponkoa Insurance Inc. (Non-consolidated)

Quarterly Statement of Income

(Millions of yen)

| | Three months ended June 30, 2017 (April 1 to June 30, 2017) | Three months ended June 30, 2018 (April 1 to June 30, 2018) | Increase (Decrease) | Rate of change |
|------------------------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------|------------------------|-------------------|
| | Amount | Amount | | |
| Ordinary income: | 643,280 | 647,712 | 4,431 | 0.7 |
| Underwriting income: | 613,846 | 594,681 | (19,165) | (3.1) |
| Net premiums written | 559,791 | 553,596 | (6,195) | (1.1) |
| Deposits of premiums by policyholders | 30,810 | 29,580 | (1,230) | (4.0) |
| Interest and dividend income on deposits of premiums, etc. | 10,027 | 9,389 | (638) | (6.4) |
| Reversal of reserve for outstanding losses and claims | 11,709 | 1,760 | (9,949) | (85.0) |
| Investment income: | 27,825 | 51,456 | 23,630 | 84.9 |
| Interest and dividend income | 31,087 | 34,919 | 3,832 | 12.3 |
| Investment gains on money trusts | 1,414 | 1,885 | 471 | 33.3 |
| Gains on sales of securities | 3,930 | 19,370 | 15,440 | 392.8 |
| Transfer of interest and dividend income on deposits of premiums, etc. | (10,027) | (9,389) | 638 | — |
| Other ordinary income | 1,607 | 1,574 | (33) | (2.1) |
| Ordinary expenses: | 606,939 | 594,970 | (11,968) | (2.0) |
| Underwriting expenses: | 517,492 | 495,987 | (21,505) | (4.2) |
| Net claims paid | 305,171 | 293,895 | (11,275) | (3.7) |
| Loss adjustment expenses | 32,385 | 31,157 | (1,228) | (3.8) |
| Net commissions and brokerage fees | 103,032 | 100,985 | (2,047) | (2.0) |
| Maturity refunds to policyholders | 47,026 | 43,417 | (3,609) | (7.7) |
| Provision for underwriting reserves | 29,165 | 25,847 | (3,317) | (11.4) |
| Investment expenses: | 2,736 | 16,097 | 13,361 | 488.3 |
| Investment losses on money trusts | 48 | 246 | 198 | 408.4 |
| Losses on sales of securities | 0 | 12,095 | 12,094 | 1,343,822.5 |
| Impairment losses on securities | 249 | 345 | 95 | 38.4 |
| Operating, general and administrative expenses | 83,823 | 80,557 | (3,266) | (3.9) |
| Other ordinary expenses: | 2,886 | 2,327 | (558) | (19.3) |
| Interest paid | 1,684 | 1,806 | 121 | 7.2 |
| Ordinary profit | 36,341 | 52,741 | 16,400 | 45.1 |
| Extraordinary gains: | 28 | 46 | 17 | 62.4 |
| Gains on disposal of fixed assets | 28 | 46 | 17 | 62.4 |
| Extraordinary losses: | 3,007 | 1,267 | (1,739) | (57.8) |
| Losses on disposal of fixed assets | 353 | 228 | (124) | (35.2) |
| Provision for reserves under the special laws: | 2,654 | 1,038 | (1,615) | (60.9) |
| Provision for reserve for price fluctuation | 2,654 | 1,038 | (1,615) | (60.9) |
| Net income before income taxes | 33,362 | 51,520 | 18,157 | 54.4 |
| Income taxes and deferred income taxes | 9,007 | 12,364 | 3,356 | 37.3 |
| Net income | 24,354 | 39,155 | 14,800 | 60.8 |
| Underwriting result: | | | | |
| Net premiums written (+) | 559,791 | 553,596 | (6,195) | (1.1) |
| Net claims paid (—) | 305,171 | 293,895 | (11,275) | (3.7) |
| Loss adjustment expenses (—) | 32,385 | 31,157 | (1,228) | (3.8) |
| Net operating expenses: (—) | 181,864 | 176,498 | (5,365) | (3.0) |
| Net commissions and brokerage fees | 103,032 | 100,985 | (2,047) | (2.0) |
| Operating, general and administrative expenses related to underwriting | 78,831 | 75,513 | (3,318) | (4.2) |
| Underwriting result | 40,370 | 52,045 | 11,674 | 28.9 |
| Underwriting profit | 17,682 | 22,429 | 4,747 | 26.8 |
| Ratios: | | | | |
| Net loss ratio (%) | 60.3 | 58.7 | (1.6) | |
| Net operating expenses ratio (%) | 32.5 | 31.9 | (0.6) | |
| Combined ratio (%) | 92.8 | 90.6 | (2.2) | |

Sompo Japan Nipponkoa Insurance Inc. (Non-consolidated)

Premiums Written and Claims Paid by Business Lines

Direct premiums written (excluding deposits of premiums by policyholders)

(Millions of yen)

| Business line | Three months ended June 30, 2017 (April 1 to June 30, 2017) | | | Three months ended June 30, 2018 (April 1 to June 30, 2018) | | |
|-------------------------------------------|----------------------------------------------------------------|-------------------|----------------|----------------------------------------------------------------|-------------------|----------------|
| | Amount | % of total amount | Rate of change | Amount | % of total amount | Rate of change |
| Fire and allied insurance | 86,793 | 14.1% | 8.4% | 87,184 | 14.2% | 0.5% |
| Marine insurance | 12,438 | 2.0 | 3.5 | 12,934 | 2.1 | 4.0 |
| Personal accident insurance | 55,045 | 9.0 | 1.0 | 53,876 | 8.8 | (2.1) |
| Voluntary automobile insurance | 276,261 | 45.0 | 0.7 | 274,427 | 44.7 | (0.7) |
| Compulsory automobile liability insurance | 78,899 | 12.9 | 0.7 | 74,382 | 12.1 | (5.7) |
| Others | 103,985 | 17.0 | 4.5 | 110,945 | 18.1 | 6.7 |
| Total | 613,425 | 100.0 | 2.4 | 613,750 | 100.0 | 0.1 |
| Deposits of premiums by policyholders | 30,810 | — | (0.3) | 29,580 | — | (4.0) |

Net premiums written

(Millions of yen)

| Business line | Three months ended June 30, 2017 (April 1 to June 30, 2017) | | | Three months ended June 30, 2018 (April 1 to June 30, 2018) | | |
|-------------------------------------------|----------------------------------------------------------------|-------------------|----------------|----------------------------------------------------------------|-------------------|----------------|
| | Amount | % of total amount | Rate of change | Amount | % of total amount | Rate of change |
| Fire and allied insurance | 61,037 | 10.9% | (0.7)% | 58,451 | 10.6% | (4.2)% |
| Marine insurance | 11,429 | 2.0 | 10.2 | 11,550 | 2.1 | 1.1 |
| Personal accident insurance | 53,914 | 9.6 | 0.8 | 52,643 | 9.5 | (2.4) |
| Voluntary automobile insurance | 275,670 | 49.2 | 0.5 | 273,626 | 49.4 | (0.7) |
| Compulsory automobile liability insurance | 72,655 | 13.0 | 7.4 | 63,290 | 11.4 | (12.9) |
| Others | 85,083 | 15.2 | 3.2 | 94,034 | 17.0 | 10.5 |
| Total | 559,791 | 100.0 | 1.8 | 553,596 | 100.0 | (1.1) |

Net claims paid

(Millions of yen)

| Business line | Three months ended June 30, 2017 (April 1 to June 30, 2017) | | | Three months ended June 30, 2018 (April 1 to June 30, 2018) | | |
|-------------------------------------------|----------------------------------------------------------------|----------------|----------------|----------------------------------------------------------------|----------------|----------------|
| | Amount | Rate of change | Net loss ratio | Amount | Rate of change | Net loss ratio |
| Fire and allied insurance | 50,577 | 7.1% | 85.0% | 36,338 | (28.2)% | 64.2% |
| Marine insurance | 5,497 | (15.6) | 51.2 | 4,878 | (11.3) | 45.2 |
| Personal accident insurance | 23,480 | (2.3) | 47.2 | 23,033 | (1.9) | 47.1 |
| Voluntary automobile insurance | 138,452 | 4.7 | 57.9 | 141,287 | 2.0 | 59.1 |
| Compulsory automobile liability insurance | 52,783 | (6.4) | 79.6 | 51,461 | (2.5) | 88.8 |
| Others | 34,379 | 5.5 | 43.4 | 36,896 | 7.3 | 42.0 |
| Total | 305,171 | 2.1 | 60.3 | 293,895 | (3.7) | 58.7 |

Sompo Japan Nipponkoa Insurance Inc. (Non-consolidated)

Non-consolidated Solvency Margin Ratio

| | (Millions of yen) | |
|-------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------|
| | As of March 31, 2018 | As of June 30, 2018 |
| (A) Total Non-consolidated Solvency Margin | 3,078,246 | 3,156,891 |
| Capital and funds, etc. | 598,902 | 638,057 |
| Reserve for price fluctuation | 79,193 | 80,232 |
| Contingency reserve | 611 | 611 |
| Catastrophic loss reserve | 555,293 | 576,947 |
| General allowance for possible credit losses | 229 | 226 |
| Unrealized gains and losses on securities, deferred gains and losses on hedges (before tax effect deductions) | 1,184,429 | 1,186,079 |
| Unrealized gains and losses on land | 93,030 | 93,078 |
| Excess amount of reserve for maturity refunds | — | — |
| Subordinated debt, etc. | 433,560 | 433,560 |
| Excess amount of reserve for maturity refunds and subordinated debt, etc. which are excluded from total solvency margin | — | — |
| Deductions | 54,455 | 54,455 |
| Others | 187,451 | 202,554 |
| (B) Total Non-consolidated Risks | 837,472 | 834,899 |
| $\sqrt{(R_1 + R_2)^2 + (R_3 + R_4)^2} + R_5 + R_6$ | | |
| Underwriting risk (R_1) | 187,079 | 187,475 |
| Underwriting risk for third-sector insurance products including accident, sickness and nursing-care insurance (R_2) | — | — |
| Guaranteed interest rate risk (R_3) | 19,350 | 19,006 |
| Investment risk (R_4) | 646,159 | 639,718 |
| Business management risk (R_5) | 19,583 | 19,533 |
| Major catastrophe risk (R_6) | 126,585 | 130,481 |
| (C) Non-consolidated Solvency Margin Ratio | 735.1 % | 756.2 % |
| $[(A) / \{(B) \times 1/2\}] \times 100$ | | |

Note) The above amounts and figures are calculated based on provisions of Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act and Public Notice No. 50 of the Ministry of Finance (1996). The amounts and figures as of June 30, 2018 are partly calculated by using the simplified method. For example, some bases for the major catastrophe risk calculation are deemed the same as the amounts and figures as of March 31, 2018.

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

Quarterly Balance Sheet

| | As of March 31, 2018 | As of June 30, 2018 | Increase (Decrease) |
|--------------------------------------------------------------|----------------------|---------------------|------------------------|
| | Amount | Amount | |
| (Millions of yen) | | | |
| Assets: | | | |
| Cash and deposits | 27,171 | 27,758 | 587 |
| Securities | 18,462 | 17,623 | (838) |
| Loans | 0 | 0 | — |
| Tangible fixed assets | 310 | 341 | 31 |
| Intangible fixed assets | 2,896 | 2,962 | 66 |
| Other assets | 4,998 | 7,281 | 2,282 |
| Allowance for possible credit losses | (31) | (31) | (0) |
| Total assets | 53,807 | 55,936 | 2,129 |
| Liabilities: | | | |
| Underwriting funds: | 41,984 | 46,603 | 4,619 |
| Reserve for outstanding losses and claims | 13,630 | 13,586 | (44) |
| Underwriting reserves | 28,353 | 33,017 | 4,663 |
| Other liabilities | 3,049 | 2,058 | (990) |
| Reserve for retirement benefits to directors | 25 | 27 | 1 |
| Reserve for bonus payments | 273 | 169 | (104) |
| Reserve for bonus payments to directors | 22 | 5 | (16) |
| Reserves under the special laws: | 44 | 45 | 0 |
| Reserve for price fluctuation | 44 | 45 | 0 |
| Deferred tax liabilities | 118 | 126 | 8 |
| Total liabilities | 45,518 | 49,036 | 3,517 |
| Net assets: | | | |
| Shareholders' equity: | | | |
| Common stock | 31,010 | 31,010 | — |
| Capital surplus | 29,247 | 29,247 | — |
| Retained earnings | (52,364) | (53,774) | (1,410) |
| Total shareholders' equity | 7,893 | 6,483 | (1,410) |
| Valuation and translation adjustments: | | | |
| Unrealized gains and losses on securities available for sale | 396 | 417 | 21 |
| Total valuation and translation adjustments | 396 | 417 | 21 |
| Total net assets | 8,289 | 6,900 | (1,388) |
| Total liabilities and net assets | 53,807 | 55,936 | 2,129 |

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

Quarterly Statement of Income

(Millions of yen)

| | Three months ended June 30, 2017 (April 1 to June 30, 2017) | Three months ended June 30, 2018 (April 1 to June 30, 2018) | Increase (Decrease) | Rate of change |
|------------------------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------|------------------------|-------------------|
| | Amount | Amount | | |
| Ordinary income: | 12,655 | 13,624 | 968 | 7.7 |
| Underwriting income: | 12,630 | 13,614 | 984 | 7.8 |
| Net premiums written | 12,616 | 13,559 | 942 | 7.5 |
| Deposits of premiums by policyholders | 4 | 2 | (2) | (50.2) |
| Interest and dividend income on deposits of premiums, etc. | 8 | 8 | 0 | 0.3 |
| Reversal of reserve for outstanding losses and claims | — | 44 | 44 | — |
| Investment income: | 24 | 9 | (14) | (60.4) |
| Interest and dividend income | 21 | 18 | (2) | (12.7) |
| Gains on sales of securities | 11 | — | (11) | (100.0) |
| Transfer of interest and dividend income on deposits of premiums, etc. | (8) | (8) | (0) | — |
| Other ordinary income | 0 | 0 | (0) | (99.4) |
| Ordinary expenses: | 14,588 | 15,029 | 441 | 3.0 |
| Underwriting expenses: | 11,364 | 11,841 | 477 | 4.2 |
| Net claims paid | 5,278 | 6,039 | 760 | 14.4 |
| Loss adjustment expenses | 776 | 860 | 84 | 10.9 |
| Net commissions and brokerage fees | 251 | 240 | (10) | (4.3) |
| Maturity refunds to policyholders | 26 | 28 | 2 | 8.3 |
| Provision for reserve for outstanding losses and claims | 172 | — | (172) | (100.0) |
| Provision for underwriting reserves | 4,853 | 4,663 | (190) | (3.9) |
| Investment expenses | 0 | 0 | 0 | 2.3 |
| Operating, general and administrative expenses | 3,217 | 3,182 | (34) | (1.1) |
| Other ordinary expenses: | 6 | 4 | (1) | (31.9) |
| Interest paid | 1 | 1 | 0 | 12.6 |
| Ordinary loss | (1,932) | (1,405) | 527 | — |
| Extraordinary losses: | 0 | 0 | 0 | 3.5 |
| Losses on disposal of fixed assets | 0 | — | (0) | (100.0) |
| Provision for reserves under the special laws: | 0 | 0 | 0 | 3.5 |
| Provision for reserve for price fluctuation | 0 | 0 | 0 | 3.5 |
| Net loss before income taxes | (1,933) | (1,406) | 527 | — |
| Income taxes and deferred income taxes | 3 | 3 | 0 | 21.4 |
| Net loss | (1,937) | (1,410) | 527 | — |
| Underwriting result: | | | | |
| Net premiums written (+) | 12,616 | 13,559 | 942 | 7.5 |
| Net claims paid (—) | 5,278 | 6,039 | 760 | 14.4 |
| Loss adjustment expenses (—) | 776 | 860 | 84 | 10.9 |
| Net operating expenses: (—) | 3,462 | 3,417 | (45) | (1.3) |
| Net commissions and brokerage fees | 251 | 240 | (10) | (4.3) |
| Operating, general and administrative expenses related to underwriting | 3,211 | 3,176 | (35) | (1.1) |
| Underwriting result | 3,099 | 3,242 | 143 | 4.6 |
| Underwriting profit (loss) | (1,923) | (1,387) | 535 | — |
| Ratios: | | | | |
| Net loss ratio (%) | 48.0 | 50.9 | 2.9 | |
| Net operating expenses ratio (%) | 27.4 | 25.2 | (2.2) | |
| Combined ratio (%) | 75.4 | 76.1 | 0.7 | |

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

Premiums Written and Claims Paid by Business Lines

Direct premiums written (excluding deposits of premiums by policyholders)

(Millions of yen)

| Business line | Three months ended June 30, 2017 (April 1 to June 30, 2017) | | | Three months ended June 30, 2018 (April 1 to June 30, 2018) | | |
|-------------------------------------------|----------------------------------------------------------------|-------------------|----------------|----------------------------------------------------------------|-------------------|----------------|
| | Amount | % of total amount | Rate of change | Amount | % of total amount | Rate of change |
| Fire and allied insurance | 437 | 3.3 | (3.8) | 337 | 2.4 | (22.7) |
| Marine insurance | — | — | — | — | — | — |
| Personal accident insurance | 911 | 6.9 | (5.5) | 758 | 5.4 | (16.9) |
| Voluntary automobile insurance | 11,497 | 87.2 | 21.8 | 12,639 | 90.0 | 9.9 |
| Compulsory automobile liability insurance | — | — | — | — | — | — |
| Others | 334 | 2.5 | 3.2 | 311 | 2.2 | (6.9) |
| Total | 13,180 | 100.0 | 17.9 | 14,046 | 100.0 | 6.6 |
| Deposits of premiums by policyholders | 4 | — | (69.6) | 2 | — | (50.2) |

Net premiums written

(Millions of yen)

| Business line | Three months ended June 30, 2017 (April 1 to June 30, 2017) | | | Three months ended June 30, 2018 (April 1 to June 30, 2018) | | |
|-------------------------------------------|----------------------------------------------------------------|-------------------|----------------|----------------------------------------------------------------|-------------------|----------------|
| | Amount | % of total amount | Rate of change | Amount | % of total amount | Rate of change |
| Fire and allied insurance | 156 | 1.2 | (14.4) | 133 | 1.0 | (14.8) |
| Marine insurance | 0 | 0.0 | (95.6) | (0) | (0.0) | (891.7) |
| Personal accident insurance | 664 | 5.3 | (1.6) | 542 | 4.0 | (18.3) |
| Voluntary automobile insurance | 11,355 | 90.0 | 21.6 | 12,485 | 92.1 | 9.9 |
| Compulsory automobile liability insurance | 107 | 0.9 | 23.0 | 87 | 0.6 | (18.4) |
| Others | 333 | 2.6 | 3.3 | 310 | 2.3 | (6.9) |
| Total | 12,616 | 100.0 | 19.0 | 13,559 | 100.0 | 7.5 |

Net claims paid

(Millions of yen)

| Business line | Three months ended June 30, 2017 (April 1 to June 30, 2017) | | | Three months ended June 30, 2018 (April 1 to June 30, 2018) | | |
|-------------------------------------------|----------------------------------------------------------------|----------------|----------------|----------------------------------------------------------------|----------------|----------------|
| | Amount | Rate of change | Net loss ratio | Amount | Rate of change | Net loss ratio |
| Fire and allied insurance | 74 | (27.8) | 56.5 | 81 | 8.6 | 68.3 |
| Marine insurance | 0 | 54.3 | 36,963.0 | 0 | (77.4) | — |
| Personal accident insurance | 336 | (2.5) | 59.2 | 324 | (3.6) | 71.2 |
| Voluntary automobile insurance | 4,671 | 25.6 | 47.1 | 5,459 | 16.8 | 49.9 |
| Compulsory automobile liability insurance | 96 | (6.8) | 90.2 | 99 | 3.8 | 114.1 |
| Others | 99 | 140.6 | 36.7 | 74 | (24.7) | 31.3 |
| Total | 5,278 | 22.4 | 48.0 | 6,039 | 14.4 | 50.9 |

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

Non-consolidated Solvency Margin Ratio

| | (Millions of yen) | |
|-------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------|
| | As of March 31, 2018 | As of June 30, 2018 |
| (A) Total Non-consolidated Solvency Margin | 12,720 | 12,162 |
| Capital and funds, etc. | 7,893 | 6,483 |
| Reserve for price fluctuation | 44 | 45 |
| Contingency reserve | 11 | 11 |
| Catastrophic loss reserve | 4,306 | 5,131 |
| General allowance for possible credit losses | — | — |
| Unrealized gains and losses on securities, deferred gains and losses on hedges (before tax effect deductions) | 463 | 489 |
| Unrealized gains and losses on land | — | — |
| Excess amount of reserve for maturity refunds | — | — |
| Subordinated debt, etc. | — | — |
| Excess amount of reserve for maturity refunds and subordinated debt, etc. which are excluded from total solvency margin | — | — |
| Deductions | — | — |
| Others | 1 | 0 |
| (B) Total Non-consolidated Risks | 5,482 | 5,717 |
| $\sqrt{(R_1 + R_2)^2 + (R_3 + R_4)^2} + R_5 + R_6$ | | |
| Underwriting risk (R_1) | 4,233 | 4,368 |
| Underwriting risk for third-sector insurance products including accident, sickness and nursing-care insurance (R_2) | — | — |
| Guaranteed interest rate risk (R_3) | 21 | 20 |
| Investment risk (R_4) | 702 | 690 |
| Business management risk (R_5) | 178 | 185 |
| Major catastrophe risk (R_6) | 1,008 | 1,105 |
| (C) Non-consolidated Solvency Margin Ratio [(A) / {(B) × 1/2}] × 100 | 463.9 % | 425.4 % |

Note) The above amounts and figures are calculated based on provisions of Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act and Public Notice No. 50 of the Ministry of Finance (1996). The amounts and figures as of June 30, 2018 are partly calculated by using the simplified method. For example, some bases for the major catastrophe risk calculation are deemed the same as the amounts and figures as of March 31, 2018.

Sampo 24 Insurance Company Limited (Non-consolidated)

Quarterly Balance Sheet

(Millions of yen)

| | As of March 31, 2018 | As of June 30, 2018 | Increase (Decrease) |
|--------------------------------------------------------------|----------------------|---------------------|------------------------|
| | Amount | Amount | |
| Assets: | | | |
| Cash and deposits | 20,795 | 22,603 | 1,808 |
| Securities | 2,001 | — | (2,001) |
| Tangible fixed assets | 188 | 171 | (17) |
| Other assets | 895 | 701 | (193) |
| Deferred tax assets | 219 | 181 | (38) |
| Total assets | 24,100 | 23,657 | (442) |
| Liabilities: | | | |
| Underwriting funds: | 11,933 | 12,021 | 88 |
| Reserve for outstanding losses and claims | 4,458 | 4,520 | 62 |
| Underwriting reserves | 7,475 | 7,500 | 25 |
| Other liabilities | 2,200 | 1,585 | (614) |
| Reserve for retirement benefits | 280 | 283 | 2 |
| Reserve for bonus payments | 98 | 23 | (74) |
| Reserve for bonus payments to directors | 4 | — | (4) |
| Reserves under the special laws: | 20 | — | (20) |
| Reserve for price fluctuation | 20 | — | (20) |
| Total liabilities | 14,537 | 13,913 | (623) |
| Net assets: | | | |
| Shareholders' equity: | | | |
| Common stock | 19,000 | 19,000 | — |
| Capital surplus | 19,000 | 19,000 | — |
| Retained earnings | (28,437) | (28,256) | 180 |
| Total shareholders' equity | 9,562 | 9,743 | 180 |
| Valuation and translation adjustments: | | | |
| Unrealized gains and losses on securities available for sale | 0 | — | (0) |
| Total valuation and translation adjustments | 0 | — | (0) |
| Total net assets | 9,562 | 9,743 | 180 |
| Total liabilities and net assets | 24,100 | 23,657 | (442) |

Sonpo 24 Insurance Company Limited (Non-consolidated)

Quarterly Statement of Income

(Millions of yen)

| | Three months ended June 30, 2017 (April 1 to June 30, 2017) | Three months ended June 30, 2018 (April 1 to June 30, 2018) | Increase (Decrease) | Rate of change |
|---------------------------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------|------------------------|-------------------|
| | Amount | Amount | | |
| Ordinary income: | 3,258 | 2,999 | (258) | (7.9) |
| Underwriting income: | 3,260 | 3,002 | (257) | (7.9) |
| Net premiums written | 3,257 | 2,999 | (257) | (7.9) |
| Interest and dividend income on deposits of premiums, etc. | 2 | 2 | (0) | (1.4) |
| Investment income: | (2) | (2) | (0) | — |
| Interest and dividend income | 0 | (0) | (0) | (135.2) |
| Transfer of interest and dividend income on deposits of premiums, etc. | (2) | (2) | 0 | — |
| Other ordinary income | 0 | 0 | (0) | (25.4) |
| Ordinary expenses: | 3,047 | 2,772 | (274) | (9.0) |
| Underwriting expenses: | 2,276 | 2,030 | (246) | (10.8) |
| Net claims paid | 1,672 | 1,516 | (156) | (9.3) |
| Loss adjustment expenses | 251 | 248 | (2) | (1.1) |
| Net commissions and brokerage fees | 199 | 177 | (21) | (10.8) |
| Provision for reserve for outstanding losses and claims | 99 | 62 | (36) | (36.9) |
| Provision for underwriting reserves | 54 | 25 | (28) | (53.1) |
| Operating, general and administrative expenses | 770 | 742 | (28) | (3.7) |
| Other ordinary expenses | 0 | 0 | (0) | (9.7) |
| Ordinary profit | 210 | 227 | 16 | 7.7 |
| Extraordinary gains: | — | 20 | 20 | — |
| Reversal of reserves under the special laws: | — | 20 | 20 | — |
| Reversal of reserve for price fluctuation | — | 20 | 20 | — |
| Extraordinary losses: | 0 | — | (0) | (100.0) |
| Provision for reserves under the special laws: | 0 | — | (0) | (100.0) |
| Provision for reserve for price fluctuation | 0 | — | (0) | (100.0) |
| Other extraordinary losses | 0 | — | (0) | (100.0) |
| Net income before income taxes | 210 | 247 | 36 | 17.4 |
| Income taxes and deferred income taxes | 31 | 66 | 34 | 108.5 |
| Net income | 178 | 180 | 2 | 1.2 |
| Underwriting result: | | | | |
| Net premiums written (+) | 3,257 | 2,999 | (257) | (7.9) |
| Net claims paid (—) | 1,672 | 1,516 | (156) | (9.3) |
| Loss adjustment expenses (—) | 251 | 248 | (2) | (1.1) |
| Net operating expenses: (—) | 969 | 919 | (49) | (5.1) |
| Net commissions and brokerage fees | 199 | 177 | (21) | (10.8) |
| Operating, general and administrative expenses related to underwriting | 770 | 741 | (28) | (3.7) |
| Underwriting result | 364 | 315 | (49) | (13.5) |
| Underwriting profit | 213 | 230 | 16 | 7.7 |
| Ratios: | | | | |
| Net loss ratio (%) | 59.0 | 58.8 | (0.2) | |
| Net operating expenses ratio (%) | 29.8 | 30.7 | 0.9 | |
| Combined ratio (%) | 88.8 | 89.5 | 0.7 | |

Sonpo 24 Insurance Company Limited (Non-consolidated)

Premiums Written and Claims Paid by Business Lines

Direct premiums written (excluding deposits of premiums by policyholders)

(Millions of yen)

| Business line | Three months ended June 30, 2017 (April 1 to June 30, 2017) | | | Three months ended June 30, 2018 (April 1 to June 30, 2018) | | |
|-------------------------------------------|----------------------------------------------------------------|-------------------|----------------|----------------------------------------------------------------|-------------------|----------------|
| | Amount | % of total amount | Rate of change | Amount | % of total amount | Rate of change |
| Fire and allied insurance | — | — | — | — | — | — |
| Marine insurance | — | — | — | — | — | — |
| Personal accident insurance | — | — | — | — | — | — |
| Voluntary automobile insurance | 3,250 | 100.0 | (5.9) | 2,989 | 100.0 | (8.0) |
| Compulsory automobile liability insurance | — | — | — | — | — | — |
| Others | — | — | — | — | — | — |
| Total | 3,250 | 100.0 | (5.9) | 2,989 | 100.0 | (8.0) |
| Deposits of premiums by policyholders | — | — | — | — | — | — |

Net premiums written

(Millions of yen)

| Business line | Three months ended June 30, 2017 (April 1 to June 30, 2017) | | | Three months ended June 30, 2018 (April 1 to June 30, 2018) | | |
|-------------------------------------------|----------------------------------------------------------------|-------------------|----------------|----------------------------------------------------------------|-------------------|----------------|
| | Amount | % of total amount | Rate of change | Amount | % of total amount | Rate of change |
| Fire and allied insurance | — | — | — | — | — | — |
| Marine insurance | — | — | — | — | — | — |
| Personal accident insurance | — | — | — | — | — | — |
| Voluntary automobile insurance | 3,201 | 98.3 | (6.0) | 2,954 | 98.5 | (7.7) |
| Compulsory automobile liability insurance | 55 | 1.7 | 13.7 | 45 | 1.5 | (18.4) |
| Others | — | — | — | — | — | — |
| Total | 3,257 | 100.0 | (5.7) | 2,999 | 100.0 | (7.9) |

Net claims paid

(Millions of yen)

| Business line | Three months ended June 30, 2017 (April 1 to June 30, 2017) | | | Three months ended June 30, 2018 (April 1 to June 30, 2018) | | |
|-------------------------------------------|----------------------------------------------------------------|----------------|----------------|----------------------------------------------------------------|----------------|----------------|
| | Amount | Rate of change | Net loss ratio | Amount | Rate of change | Net loss ratio |
| Fire and allied insurance | — | — | — | — | — | — |
| Marine insurance | — | — | — | — | — | — |
| Personal accident insurance | — | — | — | — | — | — |
| Voluntary automobile insurance | 1,615 | (1.4) | 58.3 | 1,460 | (9.6) | 57.9 |
| Compulsory automobile liability insurance | 56 | (10.4) | 101.3 | 55 | (2.2) | 121.4 |
| Others | — | — | — | — | — | — |
| Total | 1,672 | (1.8) | 59.0 | 1,516 | (9.3) | 58.8 |

Sonpo 24 Insurance Company Limited (Non-consolidated)

Non-consolidated Solvency Margin Ratio

| | (Millions of yen) | |
|-------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------|
| | As of March 31, 2018 | As of June 30, 2018 |
| (A) Total Non-consolidated Solvency Margin | 10,063 | 10,319 |
| Capital and funds, etc. | 9,562 | 9,743 |
| Reserve for price fluctuation | 20 | — |
| Contingency reserve | — | — |
| Catastrophic loss reserve | 480 | 575 |
| General allowance for possible credit losses | — | — |
| Unrealized gains and losses on securities, deferred gains and losses on hedges (before tax effect deductions) | 0 | — |
| Unrealized gains and losses on land | — | — |
| Excess amount of reserve for maturity refunds | — | — |
| Subordinated debt, etc. | — | — |
| Excess amount of reserve for maturity refunds and subordinated debt, etc. which are excluded from total solvency margin | — | — |
| Deductions | — | — |
| Others | — | — |
| (B) Total Non-consolidated Risks | 1,860 | 1,825 |
| $\sqrt{(R_1 + R_2)^2 + (R_3 + R_4)^2} + R_5 + R_6$ | | |
| Underwriting risk (R_1) | 1,649 | 1,619 |
| Underwriting risk for third-sector insurance products including accident, sickness and nursing-care insurance (R_2) | — | — |
| Guaranteed interest rate risk (R_3) | — | — |
| Investment risk (R_4) | 248 | 226 |
| Business management risk (R_5) | 60 | 59 |
| Major catastrophe risk (R_6) | 132 | 131 |
| (C) Non-consolidated Solvency Margin Ratio [(A) / {(B) × 1/2}] × 100 | 1,081.6 % | 1,130.6 % |

Note) The above amounts and figures are calculated based on provisions of Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act and Public Notice No. 50 of the Ministry of Finance (1996). The amounts and figures as of June 30, 2018 are partly calculated by using the simplified method. For example, some bases for the major catastrophe risk calculation are deemed the same as the amounts and figures as of March 31, 2018.

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

Quarterly Balance Sheet

| | As of March 31, 2018 | As of June 30, 2018 | (Millions of yen) Increase (Decrease) |
|--------------------------------------------------------------|----------------------|---------------------|---------------------------------------------|
| | Amount | Amount | |
| Assets: | | | |
| Cash and deposits | 90,465 | 85,681 | (4,783) |
| Securities: | 2,594,537 | 2,646,797 | 52,259 |
| Government bonds | 1,773,257 | 1,799,893 | 26,635 |
| Municipal bonds | 61,410 | 61,415 | 5 |
| Corporate bonds | 354,833 | 364,657 | 9,824 |
| Domestic stocks | 9,233 | 9,242 | 9 |
| Foreign securities | 395,802 | 411,587 | 15,785 |
| Loans: | 39,865 | 39,940 | 75 |
| Policy loans | 39,865 | 39,940 | 75 |
| Tangible fixed assets | 1,455 | 1,371 | (83) |
| Agency accounts receivable | 120 | 157 | 37 |
| Reinsurance accounts receivable | 1,925 | 663 | (1,261) |
| Other assets | 53,984 | 54,420 | 435 |
| Deferred tax assets | 13,923 | 12,624 | (1,298) |
| Allowance for possible credit losses | (48) | (45) | 2 |
| Total assets | 2,796,230 | 2,841,611 | 45,381 |
| Liabilities: | | | |
| Policy reserves: | 2,604,810 | 2,645,544 | 40,734 |
| Reserve for outstanding claims | 41,979 | 42,685 | 705 |
| Policy reserves | 2,557,365 | 2,597,523 | 40,158 |
| Reserve for dividends to policyholders | 5,465 | 5,335 | (129) |
| Agency accounts payable | 4,506 | 3,209 | (1,296) |
| Reinsurance accounts payable | 963 | 957 | (5) |
| Other liabilities | 41,408 | 39,921 | (1,486) |
| Reserve for bonus payments to directors | 47 | — | (47) |
| Reserve for retirement benefits | 3,698 | 3,828 | 129 |
| Reserves under the special laws: | 6,838 | 6,985 | 147 |
| Reserve for price fluctuation | 6,838 | 6,985 | 147 |
| Total liabilities | 2,662,271 | 2,700,448 | 38,176 |
| Net assets: | | | |
| Shareholders' equity: | | | |
| Common stock | 17,250 | 17,250 | — |
| Capital surplus | 13,333 | 13,333 | — |
| Retained earnings | 65,624 | 70,355 | 4,731 |
| Total shareholders' equity | 96,207 | 100,939 | 4,731 |
| Valuation and translation adjustments: | | | |
| Unrealized gains and losses on securities available for sale | 37,750 | 40,224 | 2,473 |
| Total valuation and translation adjustments | 37,750 | 40,224 | 2,473 |
| Total net assets | 133,958 | 141,163 | 7,205 |
| Total liabilities and net assets | 2,796,230 | 2,841,611 | 45,381 |

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

Quarterly Statement of Income

(Millions of yen)

| | Three months ended June 30, 2017 (April 1 to June 30, 2017) | Three months ended June 30, 2018 (April 1 to June 30, 2018) | Increase (Decrease) | Rate of change |
|-----------------------------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------|------------------------|-------------------|
| | Amount | Amount | | |
| Ordinary income: | 116,996 | 118,278 | 1,282 | 1.1 |
| Insurance premiums and other: | 104,633 | 105,485 | 852 | 0.8 |
| Insurance premiums | 103,868 | 104,879 | 1,011 | 1.0 |
| Investment income: | 12,121 | 12,469 | 348 | 2.9 |
| Interest and dividend income and other | 10,816 | 11,059 | 243 | 2.2 |
| Gains on sales of securities | 634 | 1,052 | 418 | 66.0 |
| Investment gains on special account | 659 | 348 | (311) | (47.2) |
| Other ordinary income | 241 | 322 | 81 | 33.7 |
| Ordinary expenses: | 112,464 | 110,399 | (2,065) | (1.8) |
| Insurance claims and other: | 45,067 | 44,938 | (129) | (0.3) |
| Insurance claims | 8,540 | 8,151 | (388) | (4.6) |
| Annuity payments | 3,258 | 3,074 | (183) | (5.6) |
| Insurance benefits | 9,546 | 10,864 | 1,318 | 13.8 |
| Surrender benefits | 21,991 | 21,018 | (973) | (4.4) |
| Other refunds | 568 | 800 | 232 | 40.8 |
| Provision for policy reserves and other: | 42,371 | 40,864 | (1,506) | (3.6) |
| Provision for reserve for outstanding claims | 786 | 705 | (81) | (10.3) |
| Provision for policy reserves | 41,584 | 40,158 | (1,425) | (3.4) |
| Provision for interest portion of reserve for dividends to policyholders | 0 | 0 | 0 | 72.1 |
| Investment expenses: | 1,335 | 1,547 | 211 | 15.9 |
| Interest paid | 24 | 21 | (3) | (12.7) |
| Losses on sales of securities | 976 | 1,125 | 148 | 15.2 |
| Losses on derivatives | 313 | 377 | 64 | 20.6 |
| Operating expenses | 22,695 | 21,947 | (747) | (3.3) |
| Other ordinary expenses | 995 | 1,101 | 105 | 10.6 |
| Ordinary profit | 4,531 | 7,879 | 3,347 | 73.9 |
| Extraordinary losses: | 320 | 152 | (168) | (52.4) |
| Losses on disposal of fixed assets and other | 2 | 4 | 2 | 81.8 |
| Provision for reserves under the special laws: | 318 | 147 | (170) | (53.6) |
| Provision for reserve for price fluctuation | 318 | 147 | (170) | (53.6) |
| Provision for reserve for dividends to policyholders | 1,119 | 1,122 | 2 | 0.2 |
| Net income before income taxes | 3,090 | 6,604 | 3,513 | 113.7 |
| Income taxes and deferred income taxes | 924 | 1,873 | 948 | 102.6 |
| Net income | 2,166 | 4,731 | 2,565 | 118.4 |

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

Major Business Results

Total amount of policies in force

(Number in thousands, Yen in hundred millions, %)

| | As of March 31, 2018 | | | | As of June 30, 2018 | | | |
|----------------------|----------------------|---------------------------|---------|---------------------------|---------------------|---------------------------|---------|---------------------------|
| | Number | | Amount | | Number | | Amount | |
| | | % of previous fiscal year | | % of previous fiscal year | | % of previous fiscal year | | % of previous fiscal year |
| Individual insurance | 3,980 | 103.2 | 218,778 | 99.1 | 4,005 | 100.6 | 222,685 | 101.8 |
| Individual annuities | 63 | 94.9 | 2,479 | 95.9 | 62 | 98.0 | 2,450 | 98.8 |
| Group insurance | — | — | 27,846 | 103.1 | — | — | 27,972 | 100.5 |
| Group annuities | — | — | — | — | — | — | — | — |

Note) Amounts of "Individual annuities" represent the sums of annuity fund at the beginning of annuity payment of contracts before the beginning of annuity payment and policy reserves for the contracts after the beginning of annuity payment.

Total amount of new policies

(Number in thousands, Yen in hundred millions, %)

| | Three months ended June 30, 2017 (April 1 to June 30, 2017) | | | | Three months ended June 30, 2018 (April 1 to June 30, 2018) | | | |
|----------------------|----------------------------------------------------------------|---------------------------|--------|---------------------------|----------------------------------------------------------------|---------------------------|--------|---------------------------|
| | Number | | Amount | | Number | | Amount | |
| | | % of previous fiscal year | | % of previous fiscal year | | % of previous fiscal year | | % of previous fiscal year |
| Individual insurance | 76 | 81.2 | 4,055 | 76.8 | 89 | 116.3 | 12,879 | 317.6 |
| Individual annuities | — | — | — | — | — | — | — | — |
| Group insurance | — | — | 37 | 72.3 | — | — | 79 | 214.9 |
| Group annuities | — | — | — | — | — | — | — | — |

Note) Amounts of "Individual annuities" represent amounts of annuity fund at the beginning of annuity payment.

Annualized premiums

Policies in force

(Millions of yen, %)

| | As of March 31, 2018 | | As of June 30, 2018 | |
|-------------------------------|----------------------|---------------------------|---------------------|---------------------------|
| | | % of previous fiscal year | | % of previous fiscal year |
| Individual insurance | 351,823 | 104.0 | 353,835 | 100.6 |
| Individual annuities | 18,645 | 96.3 | 18,203 | 97.6 |
| Total | 370,468 | 103.6 | 372,039 | 100.4 |
| Medical and survival benefits | 142,643 | 104.8 | 143,690 | 100.7 |

New policies

(Millions of yen, %)

| | Three months ended June 30, 2017 (April 1 to June 30, 2017) | | Three months ended June 30, 2018 (April 1 to June 30, 2018) | |
|-------------------------------|----------------------------------------------------------------|---------------------------|----------------------------------------------------------------|---------------------------|
| | | % of previous fiscal year | | % of previous fiscal year |
| Individual insurance | 9,174 | 96.6 | 9,094 | 99.1 |
| Individual annuities | — | — | — | — |
| Total | 9,174 | 95.5 | 9,094 | 99.1 |
| Medical and survival benefits | 3,206 | 84.0 | 3,016 | 94.1 |

Notes)

1. Annualized premiums are calculated by using multipliers for various premium payment terms to the premium per payment. In single premium contracts, the amount is calculated by dividing the premium by the duration of the policy.
2. Annualized premiums for medical and survival benefits include (a) premium related to medical benefits such as hospitalization and surgery benefits, (b) premium related to survival benefits such as specific illness and nursing benefits, and (c) premium related to premium waiver benefits, in which disability cause is excluded but causes such as specific illness and nursing care are included.

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

Non-consolidated Solvency Margin Ratio

(Millions of yen)

| | As of March 31, 2018 | As of June 30, 2018 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------|
| (A) Total Non-consolidated Solvency Margin | 340,108 | 355,886 |
| Capital, etc. | 96,207 | 101,065 |
| Reserve for price fluctuation | 6,838 | 6,985 |
| Contingency reserve | 30,270 | 30,733 |
| General allowance for possible credit losses | 3 | 3 |
| Unrealized gains and losses on securities (before tax effect deductions) (90% of gain or 100% of loss), deferred gains and losses on hedges (before tax effect deductions) (90% of gain or 100% of loss) | 47,188 | 50,280 |
| Unrealized gains and losses on land (85% of gain or 100% of loss) | — | — |
| Excess amount of continued Zillmerized reserve | 164,592 | 166,714 |
| Subordinated debt, etc. | — | — |
| Excess amount of continued Zillmerized reserve and subordinated debt, etc. which are excluded from total solvency margin | (30,855) | (27,555) |
| Brought in capital, etc. | — | — |
| Deductions | — | — |
| Others | 25,862 | 27,657 |
| (B) Total Non-consolidated Risks $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ | 44,952 | 46,436 |
| Underwriting risk (R_1) | 13,508 | 13,749 |
| Underwriting risk for third-sector insurance products including accident, sickness and nursing-care insurance (R_8) | 9,318 | 9,455 |
| Guaranteed interest rate risk (R_2) | 8,430 | 8,453 |
| Guaranteed minimum benefit risk (R_7) | 379 | 381 |
| Investment risk (R_3) | 28,512 | 29,950 |
| Business management risk (R_4) | 1,202 | 1,239 |
| (C) Non-consolidated Solvency Margin Ratio [(A) / {(B) × 1/2}] × 100 | 1,513.1 % | 1,532.7 % |

Notes)

1. The above amounts and figures are calculated based on provisions of Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act and Public Notice No. 50 of the Ministry of Finance (1996).
2. Guaranteed minimum benefit risk is calculated by using the standard method.

Supplementary Explanation

< Calculation of ratios, etc. >

- Underwriting profit = Underwriting income - Underwriting expenses - Operating, general and administrative expenses related to underwriting + Other income and expenses*

*Other income and expenses include, but not limited to, income tax expenses for compulsory automobile liability insurance.

- Net loss ratio = (Net claims paid + Loss adjustment expenses) / Net premiums written × 100
- Net operating expenses ratio = (Net commissions and brokerage fees + Operating, general and administrative expenses related to underwriting) / Net premiums written × 100
- Combined ratio = Net loss ratio + Net operating expenses ratio

< Non-consolidated solvency margin ratio >

- In addition to reserves to cover payments for claims, benefits and maturity refunds, etc., it is necessary for insurance companies to maintain sufficient solvency in order to cover against risks which exceed their normal estimates, i.e. occurrence of major catastrophes, fluctuation in mortality rate due to significant changes in key environmental factors and big decline in value of assets held by insurance companies.

• (C) Non-consolidated Solvency Margin Ratio, which is calculated in accordance with the Insurance Business Act, etc. is the ratio of “solvency margin of insurance companies by means of their capital, reserves, etc.” ((A) Total Non-consolidated Solvency Margin) to “risks which exceed their normal estimates” ((B) Total Non-consolidated Risks).

- “Risks which exceed their normal estimates” are composed of risks described below.

<1> Underwriting risk, Underwriting risk for third-sector insurance products including accident, sickness and nursing-care insurance:

Risks of rate of occurrence of insurance claims, etc. in excess of normal estimates (excluding risks relating to major catastrophes)

<2> Guaranteed interest rate risk:

Risks of invested assets failing to yield assumed interest rates due to the aggravation of investment conditions

<3> Investment risk:

Risks of securities and other assets held fluctuating in prices in excess of normal estimates

<4> Business management risk:

Risks beyond normal estimates arising from business management that do not fall under other categories

<5> Major catastrophe risk:

Risks of the occurrence of major catastrophic losses in excess of normal estimates (risks such as the Great Kanto Earthquake or Isewan Typhoon)

<6> Guaranteed minimum benefit risk:

Risks of special account assets fluctuating in prices in excess of normal estimates

- “Solvency margin of insurance companies by means of their capital, reserves, etc.” (total non-consolidated solvency margin) is the sum of total net assets (excluding planned outflows), certain reserves (reserve for price fluctuation, contingency reserve and catastrophic loss reserve, etc.) and parts of unrealized gains and losses on land, etc.
- Solvency margin ratio is one of the indicators for the regulatory authorities to monitor financial soundness of insurance companies. Solvency margin ratio exceeding 200% would indicate adequate capability to meet payments of possible insurance claims and others.