

Selected Unofficial Translation of Summary of Consolidated Financial Results for the three months ended June 30, 2017

Note) This document is an unofficial English translation of the Japanese original. Additional translation will be posted around August 17, 2017.

Overview of Business Results of Principal Consolidated Subsidiaries
Sompo Japan Nipponkoa Insurance Inc. (Non-consolidated)
Quarterly Balance Sheet

	As of March 31, 2017	As of June 30, 2017	(Millions of yen) Increase (Decrease)
	Amount	Amount	
Assets:			
Cash and deposits	369,971	388,882	18,911
Receivables under resale agreements	54,999	74,998	19,999
Monetary receivables bought	7,624	7,220	(404)
Money trusts	104,292	101,521	(2,770)
Securities	5,519,966	5,623,016	103,049
Loans	626,474	606,564	(19,910)
Tangible fixed assets	289,844	288,209	(1,634)
Intangible fixed assets	37,608	44,206	6,598
Other assets:	568,415	525,505	(42,910)
Prepaid pension cost	884	830	(53)
Allowance for possible credit losses	(3,493)	(3,488)	4
Allowance for possible investment losses	(7,808)	(7,808)	—
Total assets	7,568,779	7,649,658	80,878
Liabilities:			
Underwriting funds:	4,861,584	4,879,040	17,455
Reserve for outstanding losses and claims	912,762	901,052	(11,709)
Underwriting reserves	3,948,822	3,977,988	29,165
Corporate bonds	333,560	433,560	100,000
Other liabilities	680,506	525,753	(154,753)
Reserve for retirement benefits	88,172	90,078	1,906
Reserve for bonus payments	18,375	5,167	(13,208)
Reserve for bonus payments to directors	135	—	(135)
Reserves under the special laws:	68,706	71,360	2,654
Reserve for price fluctuation	68,706	71,360	2,654
Deferred tax liabilities	62,461	90,972	28,510
Total liabilities	6,113,502	6,095,933	(17,569)
Net assets:			
Shareholders' equity:			
Common stock	70,000	70,000	—
Capital surplus	70,000	70,000	—
Retained earnings	395,486	419,840	24,354
Total shareholders' equity	535,486	559,840	24,354
Valuation and translation adjustments:			
Unrealized gains and losses on securities available for sale	911,787	986,420	74,633
Deferred gains and losses on hedges	8,003	7,463	(540)
Total valuation and translation adjustments	919,790	993,884	74,093
Total net assets	1,455,276	1,553,724	98,447
Total liabilities and net assets	7,568,779	7,649,658	80,878

Sampo Japan Nipponkoa Insurance Inc. (Non-consolidated)

Quarterly Statement of Income

(Millions of yen)

	Three months ended June 30, 2016 (April 1 to June 30, 2016)	Three months ended June 30, 2017 (April 1 to June 30, 2017)	Increase (Decrease)	Rate of change
	Amount	Amount		%
Ordinary income:	624,438	643,280	18,842	3.0
Underwriting income:	592,277	613,846	21,569	3.6
Net premiums written	549,814	559,791	9,976	1.8
Deposits of premiums by policyholders	30,895	30,810	(85)	(0.3)
Interest and dividend income on deposits of premiums, etc.	11,252	10,027	(1,224)	(10.9)
Reversal of reserve for outstanding losses and claims	—	11,709	11,709	—
Investment income:	30,645	27,825	(2,819)	(9.2)
Interest and dividend income	29,766	31,087	1,321	4.4
Investment gains on money trusts	91	1,414	1,322	1,443.4
Gains on sales of securities	7,189	3,930	(3,258)	(45.3)
Transfer of interest and dividend income on deposits of premiums, etc.	(11,252)	(10,027)	1,224	—
Other ordinary income	1,515	1,607	92	6.1
Ordinary expenses:	595,053	606,939	11,885	2.0
Underwriting expenses:	500,097	517,492	17,395	3.5
Net claims paid	298,936	305,171	6,234	2.1
Loss adjustment expenses	32,292	32,385	93	0.3
Net commissions and brokerage fees	99,518	103,032	3,514	3.5
Maturity refunds to policyholders	45,434	47,026	1,592	3.5
Provision for reserve for outstanding losses and claims	5,860	—	(5,860)	(100.0)
Provision for underwriting reserves	12,306	29,165	16,858	137.0
Investment expenses:	9,859	2,736	(7,123)	(72.2)
Investment losses on money trusts	520	48	(471)	(90.7)
Losses on sales of securities	194	0	(193)	(99.5)
Impairment losses on securities	2,893	249	(2,644)	(91.4)
Operating, general and administrative expenses	83,389	83,823	434	0.5
Other ordinary expenses:	1,707	2,886	1,178	69.0
Interest paid	1,231	1,684	453	36.8
Ordinary profit	29,384	36,341	6,956	23.7
Extraordinary gains:	174	28	(145)	(83.7)
Gains on disposal of fixed assets	174	28	(145)	(83.7)
Extraordinary losses:	2,088	3,007	919	44.0
Losses on disposal of fixed assets	122	353	230	187.8
Provision for reserves under the special laws:	1,965	2,654	688	35.0
Provision for reserve for price fluctuation	1,965	2,654	688	35.0
Net income before income taxes	27,470	33,362	5,891	21.4
Income taxes and deferred income taxes	7,417	9,007	1,590	21.4
Net income	20,053	24,354	4,301	21.4
Underwriting result:				
Net premiums written (+)	549,814	559,791	9,976	1.8
Net claims paid (—)	298,936	305,171	6,234	2.1
Loss adjustment expenses (—)	32,292	32,385	93	0.3
Net operating expenses: (—)	179,045	181,864	2,818	1.6
Net commissions and brokerage fees	99,518	103,032	3,514	3.5
Operating, general and administrative expenses related to underwriting	79,527	78,831	(695)	(0.9)
Underwriting result	39,540	40,370	830	2.1
Underwriting profit	12,760	17,682	4,921	38.6
Ratios:				
Net loss ratio (%)	60.2	60.3	0.1	
Net operating expenses ratio (%)	32.6	32.5	(0.1)	
Combined ratio (%)	92.8	92.8	(0.0)	

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, 2016 (April 1 to June 30, 2016)			Three months ended June 30, 2017 (April 1 to June 30, 2017)		
	Amount	% of total amount	Rate of change	Amount	% of total amount	Rate of change
Fire and allied insurance	80,071	13.4	(5.2)	86,793	14.1	8.4
Marine insurance	12,018	2.0	(12.7)	12,438	2.0	3.5
Personal accident insurance	54,477	9.1	(1.4)	55,045	9.0	1.0
Voluntary automobile insurance	274,461	45.8	1.0	276,261	45.0	0.7
Compulsory automobile liability insurance	78,330	13.1	(5.3)	78,899	12.9	0.7
Others	99,537	16.6	4.6	103,985	17.0	4.5
Total	598,896	100.0	(0.7)	613,425	100.0	2.4
Deposits of premiums by policyholders	30,895	—	(1.4)	30,810	—	(0.3)

Net premiums written

(Millions of yen)

Business line	Three months ended June 30, 2016 (April 1 to June 30, 2016)			Three months ended June 30, 2017 (April 1 to June 30, 2017)		
	Amount	% of total amount	Rate of change	Amount	% of total amount	Rate of change
Fire and allied insurance	61,482	11.2	(11.8)	61,037	10.9	(0.7)
Marine insurance	10,367	1.9	(18.9)	11,429	2.0	10.2
Personal accident insurance	53,495	9.7	(2.1)	53,914	9.6	0.8
Voluntary automobile insurance	274,357	49.9	1.1	275,670	49.2	0.5
Compulsory automobile liability insurance	67,665	12.3	(6.8)	72,655	13.0	7.4
Others	82,446	15.0	1.1	85,083	15.2	3.2
Total	549,814	100.0	(2.3)	559,791	100.0	1.8

Net claims paid

(Millions of yen)

Business line	Three months ended June 30, 2016 (April 1 to June 30, 2016)			Three months ended June 30, 2017 (April 1 to June 30, 2017)		
	Amount	Rate of change	Net loss ratio	Amount	Rate of change	Net loss ratio
Fire and allied insurance	47,225	6.7	78.7	50,577	7.1	85.0
Marine insurance	6,511	11.3	66.9	5,497	(15.6)	51.2
Personal accident insurance	24,034	(2.5)	48.1	23,480	(2.3)	47.2
Voluntary automobile insurance	132,182	(3.5)	55.9	138,452	4.7	57.9
Compulsory automobile liability insurance	56,405	2.8	91.1	52,783	(6.4)	79.6
Others	32,576	4.9	42.7	34,379	5.5	43.4
Total	298,936	0.4	60.2	305,171	2.1	60.3

Sompo Japan Nipponkoa Insurance Inc. (Non-consolidated)

Non-consolidated Solvency Margin Ratio

(Millions of yen)		
	As of March 31, 2017	As of June 30, 2017
(A) Total Non-consolidated Solvency Margin	2,766,796	3,010,474
Capital and funds, etc.	535,486	559,840
Reserve for price fluctuation	68,706	71,360
Contingency reserve	611	611
Catastrophic loss reserve	572,867	587,508
General allowance for possible credit losses	226	223
Unrealized gains and losses on securities, deferred gains and losses on hedges (before tax effect deductions)	1,110,731	1,203,220
Unrealized gains and losses on land	52,912	53,121
Excess amount of reserve for maturity refunds	—	—
Subordinated debt, etc.	333,560	433,560
Excess amount of reserve for maturity refunds and subordinated debt, etc. which are excluded from total solvency margin	—	—
Deductions	71,649	71,649
Others	163,342	172,676
(B) Total Non-consolidated Risks	817,299	848,838
$\sqrt{(R_1 + R_2)^2 + (R_3 + R_4)^2} + R_5 + R_6$		
Underwriting risk (R_1)	185,764	186,239
Underwriting risk for third-sector insurance products including accident, sickness and nursing-care insurance (R_2)	—	—
Guaranteed interest rate risk (R_3)	20,722	20,393
Investment risk (R_4)	633,600	652,372
Business management risk (R_5)	19,160	19,799
Major catastrophe risk (R_6)	117,957	130,970
(C) Non-consolidated Solvency Margin Ratio [(A) / {(B) × 1/2}] × 100	677.0 %	709.3 %

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, 2017 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, 2017.

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

Quarterly Balance Sheet

	As of March 31, 2017	As of June 30, 2017	(Millions of yen) Increase (Decrease)
	Amount	Amount	
Assets:			
Cash and deposits	58,074	78,566	20,492
Securities:	2,434,670	2,483,527	48,856
Government bonds	1,699,212	1,717,960	18,748
Municipal bonds	58,608	56,501	(2,107)
Corporate bonds	343,065	336,975	(6,090)
Domestic stocks	7,963	8,408	444
Foreign securities	325,819	363,682	37,862
Loans:	38,254	38,047	(207)
Policy loans	38,254	38,047	(207)
Tangible fixed assets	1,515	1,541	25
Agency accounts receivable	132	115	(17)
Reinsurance accounts receivable	1,756	879	(876)
Other assets	46,196	46,109	(86)
Deferred tax assets	8,464	7,753	(710)
Allowance for possible credit losses	(37)	(38)	(1)
Total assets	2,589,026	2,656,502	67,475
Liabilities:			
Policy reserves:	2,417,365	2,459,741	42,376
Reserve for outstanding claims	40,870	41,657	786
Policy reserves	2,371,198	2,412,782	41,584
Reserve for dividends to policyholders	5,296	5,302	5
Agency accounts payable	6,073	2,471	(3,601)
Reinsurance accounts payable	987	998	11
Other liabilities	17,734	42,511	24,776
Reserve for bonus payments to directors	52	—	(52)
Reserve for retirement benefits	3,235	3,378	143
Reserves under the special laws:	5,412	5,730	318
Reserve for price fluctuation	5,412	5,730	318
Total liabilities	2,450,859	2,514,832	63,972
Net assets:			
Shareholders' equity:			
Common stock	17,250	17,250	—
Capital surplus	16,300	16,300	—
Retained earnings	58,506	60,672	2,166
Total shareholders' equity	92,056	94,222	2,166
Valuation and translation adjustments:			
Unrealized gains and losses on securities available for sale	46,109	47,446	1,336
Total valuation and translation adjustments	46,109	47,446	1,336
Total net assets	138,166	141,669	3,502
Total liabilities and net assets	2,589,026	2,656,502	67,475

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

Quarterly Statement of Income

(Millions of yen)

	Three months ended June 30, 2016 (April 1 to June 30, 2016)	Three months ended June 30, 2017 (April 1 to June 30, 2017)	Increase (Decrease)	Rate of change
	Amount	Amount		%
Ordinary income:	109,383	116,996	7,613	7.0
Insurance premiums and other:	98,277	104,633	6,355	6.5
Insurance premiums	96,773	103,868	7,094	7.3
Investment income:	10,944	12,121	1,176	10.7
Interest and dividend income and other	9,985	10,816	831	8.3
Gains on sales of securities	959	634	(325)	(33.9)
Investment gains on special account	—	659	659	—
Other ordinary income	160	241	81	50.4
Ordinary expenses:	104,914	112,464	7,550	7.2
Insurance claims and other:	45,520	45,067	(452)	(1.0)
Insurance claims	8,301	8,540	239	2.9
Annuity payments	3,077	3,258	180	5.9
Insurance benefits	8,917	9,546	628	7.1
Surrender benefits	23,416	21,991	(1,424)	(6.1)
Other refunds	751	568	(183)	(24.3)
Provision for policy reserves and other:	33,309	42,371	9,061	27.2
Provision for reserve for outstanding claims	1,532	786	(745)	(48.7)
Provision for policy reserves	31,776	41,584	9,807	30.9
Provision for interest portion of reserve for dividends to policyholders	0	0	(0)	(86.7)
Investment expenses:	1,427	1,335	(92)	(6.5)
Interest paid	19	24	4	24.5
Losses on sales of securities	206	976	769	372.3
Losses on derivatives	215	313	97	45.4
Investment losses on special account	946	—	(946)	(100.0)
Operating expenses	23,774	22,695	(1,079)	(4.5)
Other ordinary expenses	882	995	113	12.9
Ordinary profit	4,469	4,531	62	1.4
Extraordinary losses:	231	320	89	38.8
Losses on disposal of fixed assets and other	0	2	2	22,754.9
Provision for reserves under the special laws:	231	318	87	37.7
Provision for reserve for price fluctuation	231	318	87	37.7
Provision for reserve for dividends to policyholders	1,286	1,119	(167)	(13.0)
Net income before income taxes	2,951	3,090	139	4.7
Income taxes and deferred income taxes	901	924	23	2.6
Net income	2,049	2,166	116	5.7

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, 2017				As of June 30, 2017			
	Number		Amount		Number		Amount	
		% of previous fiscal year		% of previous fiscal year		% of previous fiscal year		% of previous fiscal year
Individual insurance	3,858	105.5	220,669	103.2	3,886	100.7	220,352	99.9
Individual annuities	67	98.5	2,586	96.7	67	99.5	2,556	98.8
Group insurance	—	—	27,011	95.5	—	—	27,143	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, 2016 (April 1 to June 30, 2016)				Three months ended June 30, 2017 (April 1 to June 30, 2017)			
	Number		Amount		Number		Amount	
		% of previous fiscal year		% of previous fiscal year		% of previous fiscal year		% of previous fiscal year
Individual insurance	94	78.3	5,281	97.4	76	81.2	4,055	76.8
Individual annuities	0	268.0	31	275.0	—	—	—	—
Group insurance	—	—	51	33.1	—	—	37	72.3
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, 2017		As of June 30, 2017	
		% of previous fiscal year		% of previous fiscal year
Individual insurance	338,312	107.8	341,757	101.0
Individual annuities	19,352	101.6	19,386	100.2
Total	357,664	107.5	361,143	101.0
Medical and survival benefits	136,114	105.1	137,388	100.9

New policies

(Millions of yen, %)

	Three months ended June 30, 2016 (April 1 to June 30, 2016)		Three months ended June 30, 2017 (April 1 to June 30, 2017)	
		% of previous fiscal year		% of previous fiscal year
Individual insurance	9,497	95.3	9,174	96.6
Individual annuities	110	268.9	—	—
Total	9,608	96.0	9,174	95.5
Medical and survival benefits	3,816	69.6	3,206	84.0

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, 2017	As of June 30, 2017
(A) Total Non-consolidated Solvency Margin	335,187	343,278
Capital, etc.	92,056	94,358
Reserve for price fluctuation	5,412	5,730
Contingency reserve	29,531	29,746
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)	57,637	59,308
Unrealized gains and losses on land (85% of gain or 100% of loss)	—	—
Excess amount of continued Zillmerized reserve	146,556	152,012
Subordinated debt, etc.	—	—
Excess amount of continued Zillmerized reserve and subordinated debt, etc. which are excluded from total solvency margin	(19,159)	(21,826)
Brought in capital, etc.	—	—
Deductions	—	—
Others	23,148	23,945
(B) Total Non-consolidated Risks $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	42,616	44,051
Underwriting risk (R_1)	13,620	13,578
Underwriting risk for third-sector insurance products including accident, sickness and nursing-care insurance (R_8)	8,725	8,849
Guaranteed interest rate risk (R_2)	8,369	8,380
Guaranteed minimum benefit risk (R_7)	374	376
Investment risk (R_3)	26,191	27,781
Business management risk (R_4)	1,145	1,179
(C) Non-consolidated Solvency Margin Ratio [(A) / {(B) × 1/2}] × 100	1,573.0 %	1,558.5 %

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.