

Selected Unofficial Translation of Summary of Consolidated Financial Results for the three months ended June 30, 2019

Note) This document is an unofficial English translation of the Japanese original. Additional translation will be posted around August 16, 2019.

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

	As of March 31, 2019	As of June 30, 2019	(Millions of yen) Increase (Decrease)
	Amount	Amount	
Assets:			
Cash and deposits	459,769	559,103	99,334
Receivables under resale agreements	64,999	54,999	(9,999)
Monetary receivables bought	11,703	13,913	2,209
Money trusts	40,862	39,196	(1,665)
Securities	5,056,187	4,985,776	(70,411)
Loans	685,377	659,787	(25,590)
Tangible fixed assets	249,654	248,027	(1,626)
Intangible fixed assets	114,753	123,962	9,209
Other assets	842,663	623,358	(219,304)
Prepaid pension cost	477	460	(16)
Allowance for possible credit losses	(3,471)	(3,468)	3
Allowance for possible investment losses	(7,089)	(7,089)	—
Total assets	7,515,887	7,298,028	(217,858)
Liabilities:			
Underwriting funds:	4,626,617	4,681,283	54,666
Reserve for outstanding losses and claims	885,703	886,786	1,082
Underwriting reserves	3,740,913	3,794,497	53,584
Corporate bonds	433,560	433,560	—
Other liabilities	760,883	530,382	(230,501)
Reserve for retirement benefits	93,600	94,824	1,223
Reserve for bonus payments	18,325	5,097	(13,227)
Reserve for bonus payments to directors	64	—	(64)
Reserves under the special laws:	83,183	84,174	991
Reserve for price fluctuation	83,183	84,174	991
Deferred tax liabilities	30,352	16,818	(13,533)
Total liabilities	6,046,586	5,846,140	(200,446)
Net assets:			
Shareholders' equity:			
Common stock	70,000	70,000	—
Capital surplus	70,000	70,000	—
Retained earnings	527,900	549,187	21,286
Total shareholders' equity	667,900	689,187	21,286
Valuation and translation adjustments:			
Unrealized gains and losses on securities available for sale	794,949	756,611	(38,338)
Deferred gains and losses on hedges	6,449	6,089	(360)
Total valuation and translation adjustments	801,399	762,701	(38,698)
Total net assets	1,469,300	1,451,888	(17,412)
Total liabilities and net assets	7,515,887	7,298,028	(217,858)

Sompo Japan Nipponkoa Insurance Inc. (Non-consolidated)

Quarterly Statement of Income

(Millions of yen)

	Three months ended June 30, 2018 (April 1 to June 30, 2018)	Three months ended June 30, 2019 (April 1 to June 30, 2019)	Increase (Decrease)	Rate of change
	Amount	Amount		%
Ordinary income:	647,712	636,889	(10,822)	(1.7)
Underwriting income:	594,681	599,969	5,287	0.9
Net premiums written	553,596	563,714	10,117	1.8
Deposits of premiums by policyholders	29,580	26,882	(2,697)	(9.1)
Interest and dividend income on deposits of premiums, etc.	9,389	9,259	(130)	(1.4)
Reversal of reserve for outstanding losses and claims	1,760	—	(1,760)	(100.0)
Investment income:	51,456	35,569	(15,886)	(30.9)
Interest and dividend income	34,919	34,154	(765)	(2.2)
Investment gains on money trusts	1,885	403	(1,482)	(78.6)
Gains on sales of securities	19,370	9,847	(9,522)	(49.2)
Transfer of interest and dividend income on deposits of premiums, etc.	(9,389)	(9,259)	130	—
Other ordinary income	1,574	1,350	(224)	(14.2)
Ordinary expenses:	594,970	608,096	13,126	2.2
Underwriting expenses:	495,987	520,656	24,669	5.0
Net claims paid	293,895	291,310	(2,585)	(0.9)
Loss adjustment expenses	31,157	30,691	(465)	(1.5)
Net commissions and brokerage fees	100,985	103,672	2,686	2.7
Maturity refunds to policyholders	43,417	39,091	(4,325)	(10.0)
Provision for reserve for outstanding losses and claims	—	1,082	1,082	—
Provision for underwriting reserves	25,847	53,584	27,736	107.3
Investment expenses:	16,097	5,292	(10,804)	(67.1)
Investment losses on money trusts	246	80	(166)	(67.4)
Losses on sales of securities	12,095	277	(11,818)	(97.7)
Impairment losses on securities	345	920	575	166.7
Operating, general and administrative expenses	80,557	79,767	(790)	(1.0)
Other ordinary expenses:	2,327	2,380	52	2.2
Interest paid	1,806	1,793	(12)	(0.7)
Ordinary profit	52,741	28,792	(23,949)	(45.4)
Extraordinary gains:	46	651	605	1,311.6
Gains on disposal of fixed assets	46	651	605	1,311.6
Extraordinary losses:	1,267	1,435	167	13.2
Losses on disposal of fixed assets	228	186	(42)	(18.6)
Impairment losses	—	258	258	—
Provision for reserves under the special laws:	1,038	991	(47)	(4.6)
Provision for reserve for price fluctuation	1,038	991	(47)	(4.6)
Net income before income taxes	51,520	28,008	(23,511)	(45.6)
Income taxes and deferred income taxes	12,364	6,722	(5,642)	(45.6)
Net income	39,155	21,286	(17,868)	(45.6)
Underwriting result:				
Net premiums written (+)	553,596	563,714	10,117	1.8
Net claims paid (—)	293,895	291,310	(2,585)	(0.9)
Loss adjustment expenses (—)	31,157	30,691	(465)	(1.5)
Net operating expenses: (—)	176,498	178,105	1,606	0.9
Net commissions and brokerage fees	100,985	103,672	2,686	2.7
Operating, general and administrative expenses related to underwriting	75,513	74,433	(1,079)	(1.4)
Underwriting result	52,045	63,606	11,561	22.2
Underwriting profit	22,429	4,530	(17,898)	(79.8)
Ratios:				
Net loss ratio (%)	58.7	57.1	(1.6)	
Net operating expenses ratio (%)	31.9	31.6	(0.3)	
Combined ratio (%)	90.6	88.7	(1.9)	

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, 2018 (April 1 to June 30, 2018)			Three months ended June 30, 2019 (April 1 to June 30, 2019)		
	Amount	% of total amount	Rate of change	Amount	% of total amount	Rate of change
Fire and allied insurance	87,184	14.2	0.5	100,417	15.8	15.2
Marine insurance	12,934	2.1	4.0	12,943	2.0	0.1
Personal accident insurance	53,876	8.8	(2.1)	52,338	8.2	(2.9)
Voluntary automobile insurance	274,427	44.7	(0.7)	277,739	43.7	1.2
Compulsory automobile liability insurance	74,382	12.1	(5.7)	77,929	12.3	4.8
Others	110,945	18.1	6.7	114,346	18.0	3.1
Total	613,750	100.0	0.1	635,714	100.0	3.6
Deposits of premiums by policyholders	29,580	—	(4.0)	26,882	—	(9.1)

Net premiums written

(Millions of yen)

Business line	Three months ended June 30, 2018 (April 1 to June 30, 2018)			Three months ended June 30, 2019 (April 1 to June 30, 2019)		
	Amount	% of total amount	Rate of change	Amount	% of total amount	Rate of change
Fire and allied insurance	58,451	10.6	(4.2)	62,562	11.1	7.0
Marine insurance	11,550	2.1	1.1	11,730	2.1	1.6
Personal accident insurance	52,643	9.5	(2.4)	50,800	9.0	(3.5)
Voluntary automobile insurance	273,626	49.4	(0.7)	276,721	49.1	1.1
Compulsory automobile liability insurance	63,290	11.4	(12.9)	66,538	11.8	5.1
Others	94,034	17.0	10.5	95,361	16.9	1.4
Total	553,596	100.0	(1.1)	563,714	100.0	1.8

Net claims paid

(Millions of yen)

Business line	Three months ended June 30, 2018 (April 1 to June 30, 2018)			Three months ended June 30, 2019 (April 1 to June 30, 2019)		
	Amount	Rate of change	Net loss ratio	Amount	Rate of change	Net loss ratio
Fire and allied insurance	36,338	(28.2)	64.2	42,357	16.6	71.0
Marine insurance	4,878	(11.3)	45.2	5,354	9.8	48.7
Personal accident insurance	23,033	(1.9)	47.1	21,044	(8.6)	44.7
Voluntary automobile insurance	141,287	2.0	59.1	136,531	(3.4)	56.4
Compulsory automobile liability insurance	51,461	(2.5)	88.8	47,395	(7.9)	78.1
Others	36,896	7.3	42.0	38,626	4.7	43.1
Total	293,895	(3.7)	58.7	291,310	(0.9)	57.1

Sampo Japan Nipponkoa Insurance Inc. (Non-consolidated)

Non-consolidated Solvency Margin Ratio

(Millions of yen)		
	As of March 31, 2019	As of June 30, 2019
(A) Total Non-consolidated Solvency Margin	2,925,752	2,940,671
Capital and funds, etc.	667,900	689,187
Reserve for price fluctuation	83,183	84,174
Contingency reserve	917	993
Catastrophic loss reserve	497,090	522,625
General allowance for possible credit losses	296	293
Unrealized gains and losses on securities, deferred gains and losses on hedges (before tax effect deductions)	979,958	933,303
Unrealized gains and losses on land	102,267	101,616
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	53,329	47,203
Others	213,906	222,121
(B) Total Non-consolidated Risks	810,142	792,144
$\sqrt{(R_1 + R_2)^2 + (R_3 + R_4)^2} + R_5 + R_6$		
Underwriting risk (R_1)	185,722	186,228
Underwriting risk for third-sector insurance products including accident, sickness and nursing-care insurance (R_2)	—	—
Guaranteed interest rate risk (R_3)	18,070	17,750
Investment risk (R_4)	584,923	569,193
Business management risk (R_5)	18,978	18,618
Major catastrophe risk (R_6)	160,215	157,746
(C) Non-consolidated Solvency Margin Ratio [(A) / { (B) × 1/2 }] × 100	722.2 %	742.4 %

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, 2019 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, 2019.

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

Quarterly Balance Sheet

	As of March 31, 2019	As of June 30, 2019	(Millions of yen) Increase (Decrease)
	Amount	Amount	
Assets:			
Cash and deposits	92,843	71,814	(21,028)
Securities:	2,805,201	2,871,270	66,069
Government bonds	1,845,412	1,865,319	19,906
Municipal bonds	65,809	65,033	(776)
Corporate bonds	425,036	455,365	30,329
Domestic stocks	8,648	8,382	(266)
Foreign securities	460,294	477,170	16,875
Loans:	41,734	41,891	156
Policy loans	41,734	41,891	156
Tangible fixed assets	1,297	1,235	(62)
Agency accounts receivable	133	120	(13)
Reinsurance accounts receivable	1,435	582	(852)
Other assets	54,814	57,852	3,038
Deferred tax assets	8,680	5,505	(3,175)
Allowance for possible credit losses	(51)	(52)	(0)
Total assets	3,006,090	3,050,220	44,130
Liabilities:			
Policy reserves:	2,784,798	2,826,123	41,324
Reserve for outstanding claims	45,266	45,100	(165)
Policy reserves	2,734,761	2,776,423	41,662
Reserve for dividends to policyholders	4,770	4,598	(171)
Agency accounts payable	4,097	2,841	(1,255)
Reinsurance accounts payable	821	858	36
Other liabilities	46,592	38,548	(8,043)
Reserve for bonus payments to directors	37	—	(37)
Reserve for retirement benefits	3,802	3,919	116
Reserve for possible reimbursement of prescribed claims:	601	483	(117)
Reserves under the special laws:	7,490	7,658	168
Reserve for price fluctuation	7,490	7,658	168
Total liabilities	2,848,241	2,880,432	32,191
Net assets:			
Shareholders' equity:			
Common stock	17,250	17,250	—
Capital surplus	13,333	13,333	—
Retained earnings	74,169	78,979	4,809
Total shareholders' equity	104,752	109,562	4,809
Valuation and translation adjustments:			
Unrealized gains and losses on securities available for sale	53,096	60,225	7,129
Total valuation and translation adjustments	53,096	60,225	7,129
Total net assets	157,848	169,788	11,939
Total liabilities and net assets	3,006,090	3,050,220	44,130

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

Quarterly Statement of Income

(Millions of yen)

	Three months ended June 30, 2018 (April 1 to June 30, 2018)	Three months ended June 30, 2019 (April 1 to June 30, 2019)	Increase (Decrease)	Rate of change
	Amount	Amount		%
Ordinary income:	118,278	118,093	(184)	(0.2)
Insurance premiums and other:	105,485	105,783	297	0.3
Insurance premiums	104,879	105,198	318	0.3
Investment income:	12,469	11,850	(619)	(5.0)
Interest and dividend income and other	11,059	11,157	97	0.9
Gains on sales of securities	1,052	678	(374)	(35.5)
Investment gains on special account	348	—	(348)	(100.0)
Other ordinary income	322	459	136	42.3
Reversal of reserve for outstanding claims	—	165	165	—
Ordinary expenses:	110,399	110,213	(185)	(0.2)
Insurance claims and other:	44,938	46,399	1,460	3.3
Insurance claims	8,151	8,372	220	2.7
Annuity payments	3,074	2,842	(232)	(7.5)
Insurance benefits	10,864	11,345	481	4.4
Surrender benefits	21,018	22,291	1,273	6.1
Other refunds	800	693	(106)	(13.4)
Provision for policy reserves and other:	40,864	41,662	797	2.0
Provision for reserve for outstanding claims	705	—	(705)	(100.0)
Provision for policy reserves	40,158	41,662	1,503	3.7
Provision for interest portion of reserve for dividends to policyholders	0	0	(0)	(10.4)
Investment expenses:	1,547	907	(639)	(41.3)
Interest paid	21	18	(2)	(12.2)
Losses on sales of securities	1,125	650	(474)	(42.1)
Losses on derivatives	377	145	(232)	(61.6)
Investment losses on special account	—	67	67	—
Operating expenses	21,947	20,176	(1,771)	(8.1)
Other ordinary expenses	1,101	1,068	(32)	(3.0)
Ordinary profit	7,879	7,879	0	0.0
Extraordinary losses:	152	197	45	29.5
Losses on disposal of fixed assets and other	4	0	(4)	(85.5)
Provision for reserves under the special laws:	147	168	20	14.0
Provision for reserve for price fluctuation	147	168	20	14.0
Other extraordinary losses	—	28	28	—
Provision for reserve for dividends to policyholders	1,122	969	(152)	(13.6)
Net income before income taxes	6,604	6,712	107	1.6
Income taxes and deferred income taxes	1,873	1,902	28	1.5
Net income	4,731	4,809	78	1.7

Sampo 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, 2019				As of June 30, 2019			
	Number		Amount		Number		Amount	
		% of previous fiscal year		% of previous fiscal year		% of previous fiscal year		% of previous fiscal year
Individual insurance	4,088	102.7	230,734	105.5	4,101	100.3	231,425	100.3
Individual annuities	58	90.8	2,375	95.8	56	97.9	2,350	99.0
Group insurance	—	—	27,106	97.3	—	—	27,237	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, 2018 (April 1 to June 30, 2018)				Three months ended June 30, 2019 (April 1 to June 30, 2019)			
	Number		Amount		Number		Amount	
		% of previous fiscal year		% of previous fiscal year		% of previous fiscal year		% of previous fiscal year
Individual insurance	89	116.3	12,879	317.6	65	73.6	6,269	48.7
Individual annuities	—	—	—	—	—	—	—	—
Group insurance	—	—	79	214.9	—	—	26	32.7
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, 2019		As of June 30, 2019	
		% of previous fiscal year		% of previous fiscal year
Individual insurance	361,913	102.9	361,635	99.9
Individual annuities	16,673	89.4	16,298	97.8
Total	378,586	102.2	377,933	99.8
Medical and survival benefits	148,423	104.1	149,795	100.9

New policies

(Millions of yen, %)

	Three months ended June 30, 2018 (April 1 to June 30, 2018)		Three months ended June 30, 2019 (April 1 to June 30, 2019)	
		% of previous fiscal year		% of previous fiscal year
Individual insurance	9,094	99.1	5,555	61.1
Individual annuities	—	—	—	—
Total	9,094	99.1	5,555	61.1
Medical and survival benefits	3,016	94.1	3,313	109.9

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.

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

Non-consolidated Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
(A) Total Non-consolidated Solvency Margin	383,002	404,416
Capital, etc.	104,752	109,709
Reserve for price fluctuation	7,490	7,658
Contingency reserve	31,642	31,906
General allowance for possible credit losses	4	5
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)	66,370	75,281
Unrealized gains and losses on land (85% of gain or 100% of loss)	—	—
Excess amount of continued Zillmerized reserve	172,796	175,283
Subordinated debt, etc.	—	—
Excess amount of continued Zillmerized reserve and subordinated debt, etc. which are excluded from total solvency margin	(28,599)	(25,770)
Brought in capital, etc.	—	—
Deductions	—	—
Others	28,545	30,342
(B) Total Non-consolidated Risks $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	50,809	52,144
Underwriting risk (R_1)	14,188	14,228
Underwriting risk for third-sector insurance products including accident, sickness and nursing-care insurance (R_8)	9,961	10,112
Guaranteed interest rate risk (R_2)	8,443	8,459
Guaranteed minimum benefit risk (R_7)	388	390
Investment risk (R_3)	34,335	35,699
Business management risk (R_4)	1,346	1,377
(C) Non-consolidated Solvency Margin Ratio [(A) / { (B) × 1/2 }] × 100	1,507.5 %	1,551.1 %

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.