



**SOMPO  
HOLDINGS**

Innovation for Wellbeing

## Integrated Annual Report 2018



Sompo Holdings, Inc.

## Group Management Philosophy

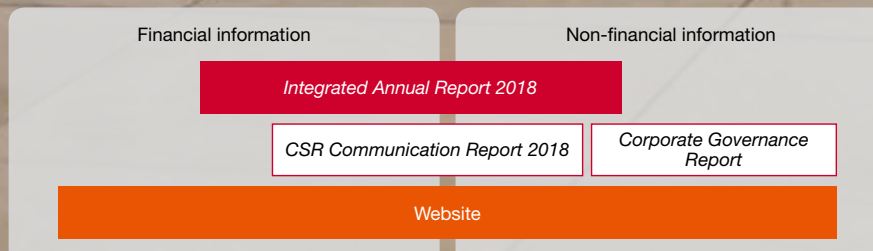
We will at all times carefully consider the interests of our customers when making decisions that shape our business. We will strive to contribute to the security, health, and wellbeing of our customers and society as a whole by providing insurance and related services of the highest quality possible.

### Editorial Policy for *Integrated Annual Report 2018*

This report has been prepared as an integrated annual report with the aim of explaining to stakeholders, in an easily understood manner, about the Sampo Holdings Group as it transforms itself into a “theme park for the security, health, and wellbeing of customers” based on the Group Management Philosophy indicated above. This report comprehensively describes past performance and future strategies from both financial and non-financial perspectives and was prepared while referencing the International Integrated Reporting Framework\*<sup>1</sup> and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation: ESG integration, non-financial Information disclosure, and Intangible Assets into Investment.\*<sup>2</sup>

In addition, the Company has published disclosure materials based on Article 271-25 of the Insurance Business Act and Article 210-10-2 of the Ordinance for Enforcement of the Insurance Business Act.

Important/overview



Detailed/comprehensive

\*1 An international corporate reporting framework issued by the International Integrated Reporting Council, which was established in 2010

\*2 A guidance issued by Japan's Ministry of Economy, Trade and Industry to encourage companies and investors to foster mutual understanding through information disclosure and dialogue and thereby promote collaborative value creation

Note: The photograph in the center of the second row of photographs on the cover of this report shows Vincent van Gogh's Sunflowers (circa 1888) at the Seiji Togo Memorial Sampo Japan Nipponkoa Museum of Art.



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### Pages Covering Major Themes

The following themes are discussed on multiple pages. Please refer to the pages listed below for information on the following themes. (Information that is relevant to these themes may also be found on pages other than those listed below.)

#### Business Portfolio

- Value creation process—Page 2
- Distribution of adjusted consolidated profit by business—Pages 22, 23, and 31
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#### Non-Financial Topics (Corporate Governance)

- Statements by outside directors—Pages 10–11
- Characteristics and effectiveness of corporate governance structure—Pages 13–15
- Comprehensive corporate governance-related information—Pages 82–90

#### Forward-Looking Statements

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

# Value Creation Process

The Sampo Holdings Group will reform existing business models as well as its entire business portfolio by leveraging digital technologies and developing new businesses and services.

By creating new value through transformation into a “theme park for the security, health, and wellbeing of customers,” we aim to help realize a resilient, sustainable society.

## Realization of “Theme Park for the Security, Health,

### Focus Social Issues

Aging society and decreasing population

Extension of healthy life spans

Evolving technologies and diversifying lifestyles

Increasing natural disasters due to climate change and other factors

Domestic P&C insurance business

▶ Page 44

Nursing care & healthcare business

▶ Page 54

#### Fiscal 2017 Performance

Adjusted consolidated profit **¥162.7 billion**  
Adjusted consolidated ROE **6.4%**

#### Fiscal 2018 Forecasts

Adjusted consolidated profit **¥220.0 billion**  
Adjusted consolidated ROE **8.3%**

### Utilization of Capital

#### Strengths Forming Management Foundation



#### Human Capital

Utilization of human resources through global platform

Group employees\*1  
Approx. 80,000

▶ See page 68 for our human resource strategy.



#### Intellectual Capital

Proactive adoption of digital technologies  
Incorporation of external insight through open innovation

▶ See page 70 for our digital strategy.



#### Financial Capital

Robust financial base

Adjusted consolidated net assets\*2  
¥2,553.9 billion

▶ See page 18 for a message from the Group CFO.

\*1 The number of Group employees is as of March 31, 2018.

\*2 The figure for adjusted consolidated net assets is the average of the amounts on April 1, 2017, and March 31, 2018.

# and Wellbeing of Customers”

Domestic life insurance business

▶ Page 50

Overseas insurance business

▶ Page 58

## Vision for Fiscal 2020 and Beyond

### Global Top 10 Level

Adjusted consolidated profit    ¥ **300.0** billion level  
 Adjusted consolidated ROE    over **10.0%**

Supply products and services that reflect a variety of evolving risks

Provide high-quality nursing care and healthcare services

Leverage leading-edge digital technologies to create a new experience of security, health, and wellbeing for customers

Deliver products and services that help address climate change and other environmental problems

## Realization of a Sustainable Society

Creation of a society offering security, health, and wellbeing

Realization of more comfortable lifestyles



### Relationships with Stakeholders



#### Social and Relationship Capital

- Customer base
- Agency networks
- Strategic partners

# My Commitment

**We will contribute to the security, health, and wellbeing of customers by providing insurance and related services of the highest quality possible.**

During its 130-year history, the Sampo Holdings Group has grown in step with the lives of its customers and the business activities of companies. We have continuously contributed to society by providing security through insurance not only in relation to accidents but also on a day-to-day basis.

However, an array of social issues are emerging and increasing in complexity in the current era of volatility, uncertainty, complexity, and ambiguity (VUCA). Moreover, global society faces common, challenging issues, which the United Nations has recognized by setting the Sustainable Development Goals (SDGs).<sup>\*</sup> In response, the Group's role must evolve. I believe that our mission is to help achieve a sustainable society by going beyond the boundaries of the insurance business to create new value. In other words, we must "contribute to the security, health, and wellbeing of customers by providing insurance and related services of the highest quality possible."

To realize this mission, the Mid-Term Management Plan calls on the Group to transform into a unique, progressive "theme park for the security, health, and wellbeing of customers." Based on this vision, we are tackling initiatives with conviction.

<sup>\*</sup> Goals for 2030 adopted at the United Nations Sustainable Development Summit in 2015



*Kengo Sakurada*

Kengo Sakurada  
President & Group CEO  
Sampo Holdings, Inc.

## The Group's Operating Environment

A variety of social issues are emerging and increasing in complexity. These include the ever-increasing threat of natural disasters precipitated by climate change all over the world, such as the heavy downpours that occurred across a wide swath of western Japan this year; geopolitical risks stemming from instability; human rights; growing disparity among regions; and the evolution of digital technologies. Japan, our home market, is facing population decline and the rapid aging of its society. Meanwhile, global society is seeing a widening of the scope of its shared challenges, such as the SDGs that the United Nations adopted. The annual meeting of the World

Economic Forum, often called the Davos Forum, which I attend every year, discusses solutions to such issues. This year's discussion was themed on "Creating a Shared Future in a Fractured World." Addressing these issues through individual bodies is no longer meaningful. Governments, business, and civil society must address issues collectively by transcending existing boundaries and engaging through impactful partnerships.

In this environment, significant threats to the Group include not only population decline and climate change but also disruption of existing markets caused by digital

## A Message from the Group CEO

transformation. For example, in the P&C insurance business demand for automobile insurance could decrease with the spread of self-driving cars. Also, forays into the insurance

industry by ICT-based companies could disrupt it dramatically. Thus, society is in an era of VUCA, and I believe that the Group's operating environment will change significantly.

## The Group's Vision

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To win out in such an era, the Sompo Holdings Group is going to move beyond the confines of its mainstay insurance business and transform into a unique, progressive "theme park for the security, health, and wellbeing of customers" by providing services of the highest quality possible.

Stakeholders sometimes ask about the concept behind the vision referred to by a "theme park for the security, health,

and wellbeing of customers." I would like to take this opportunity to explain our concept. Basically, the Group's mainstay insurance business allows customers to prepare for emergencies. Through the "theme park," however, our goal is not only to mitigate the effects of accidents or illnesses but also to help customers sustain their present happiness and, if possible, to make them even happier. In other words, we are going to





maintain or make a positive contribution to customers' quality of life. Theme parks are places for having fun, being happy, and directly experiencing such things as rides and snacks. In a similar way, we want to give customers a tangible sense of security, health, and wellbeing through the products and services. For example, requiring nursing care is never a welcome

development for a person or his or her family. However, we want to help ensure that, if nursing care is required, customers know that there are reliable places to which they can entrust the care of their loved ones and where these family members can live happily. This is the sense in which we use the phrase "theme park."

## Transformation into a "Theme Park for the Security, Health, and Wellbeing of Customers"

### Transformation and Ecosystems

What does transformation mean for the Sampo Holdings Group? It does not simply mean increasing scale, becoming robust, or revamping the organization. Transformation entails achieving qualitative evolution. Accordingly, we revolutionize our businesses by creating business models that depart from the past completely. While optimizing digital technologies, capital, and other management resources, the Group will reform its entire business portfolio. Rather than just focusing on collaborations among existing frameworks or Group companies, we are going to build new ecosystems that link us to external partners with outstanding expertise and potential. By influencing each other and heightening our capabilities as a whole, we are going to turn into a "theme park for the security, health, and wellbeing of customers." This is the Group's qualitative evolution, or transformation.

### Indispensable Elements for Transformation: Digital Technology × Personnel

We need two elements to realize transformation—digital technology and personnel. To convert the impending digital transformation and disruption into an opportunity, we have to grasp trends in the world of digital technology more quickly and take actions beyond existing frameworks and business models. With this in mind, we have established SOMPO Digital Lab in Tokyo and Silicon Valley, the United States. We have also established a lab in Israel, which is in the vanguard of technology development. SOMPO Digital Lab is advancing a range of

leading-edge initiatives, such as developing digital technology applications for existing businesses and entering the cybersecurity field.

While extremely important, being well informed about the latest technologies is in itself not enough to bring about transformation. In the digital era, personnel are one of the most significant factors and the ultimate differentiating factor. No matter how far AI or robotics progress, they will never be able to empathize or make decisions about complex, unresolvable problems while taking into account broad perspectives. To put it another way, I believe that the roles of personnel will become even more important in the digital era. Emotional intelligence will be the main attribute, and personnel with well-developed emotional intelligence will be the key drivers of the digital era. Therefore, we have been fostering many emotionally intelligent personnel while diversifying our workforce by developing or hiring personnel with professional competence or rare talents. These exceptional personnel will drive our transformation.

I believe that our initiatives in this regard will create new value, enable us to see social issues as opportunities, enhance long-term corporate value, and help realize a resilient, inclusive, and sustainable society.

### Progress under the Mid-Term Management Plan

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Through the five-year Mid-Term Management Plan that began in fiscal 2016, the Sompo Holdings Group has been transforming toward realization of vision that I have been outlining.

The current fiscal year is the plan's third fiscal year. We will further evolve the foundations that we have built, achieve benefits steadily, and accelerate initiatives to realize a "theme park for the security, health, and wellbeing of customers." Also, by an early stage of the period from fiscal 2020 onward, we are aiming for a business scale and capital efficiency on a par with the level of the top 10 global publicly listed insurance companies. Specifically, we are targeting adjusted consolidated profit of over ¥300.0 billion and adjusted consolidated ROE of over 10.0%. To these ends, with stable earnings generation and a robust capital base as foundations, we are going to establish a continuous growth cycle by increasing the profitability of existing businesses and realizing investment opportunities through the transformation of and collaboration among businesses.

In fiscal 2017, adjusted consolidated profit declined ¥20.5 billion year on year, to ¥162.7 billion, reflecting the effects of natural disasters, such as the hurricanes in North America, and large-scale accidents in Japan and overseas. In fiscal 2018, however, we expect adjusted consolidated profit to reach a record ¥220.0 billion\* thanks to higher earnings from businesses.

Regarding returns to shareholders, in fiscal 2017 we increased dividends per share by ¥20 year on year and implemented total share buybacks of ¥39.1 billion, thereby realizing our medium-to-long-term target of a total payout ratio of 50% for the fourth consecutive year. Moreover, in line with earnings, we expect to increase dividends for the fifth straight year in fiscal 2018.

During the two fiscal years since launching the Mid-Term Management Plan, the initiatives of each business have made solid progress. We are going to continue to steadily implement strategies aimed at realizing a "theme park for the security, health, and wellbeing of customers."

#### The Domestic P&C Insurance Business

We aim to sustain growth by revising business processes developed over many years and reforming a corporate culture that has a 130-year history. We are innovating to grow existing businesses and create new value. As well as using AI, robotic process automation (RPA), and other digital technologies to increase productivity, we are partnering with progressive companies outside the insurance industry to develop mold-breaking products and services.

#### The Domestic Life Insurance Business

By rolling out "Insurhealth," which integrates traditional insurance services and health care, we are offering new value and transforming into a health support enterprise that aids people in leading healthy lives. More specifically, we established the health service brand Linkx (pronounced "link cross"). Under this brand, we have launched a new type of income compensation product. This product reduces the premiums of customers whose health improves and provides them with a reimbursement of the difference between the former and reduced premiums dating back to the time of policy enrollment. Through such products and services, we offer new value in the form of health maintenance and promotion.

#### The Nursing Care & Healthcare Business

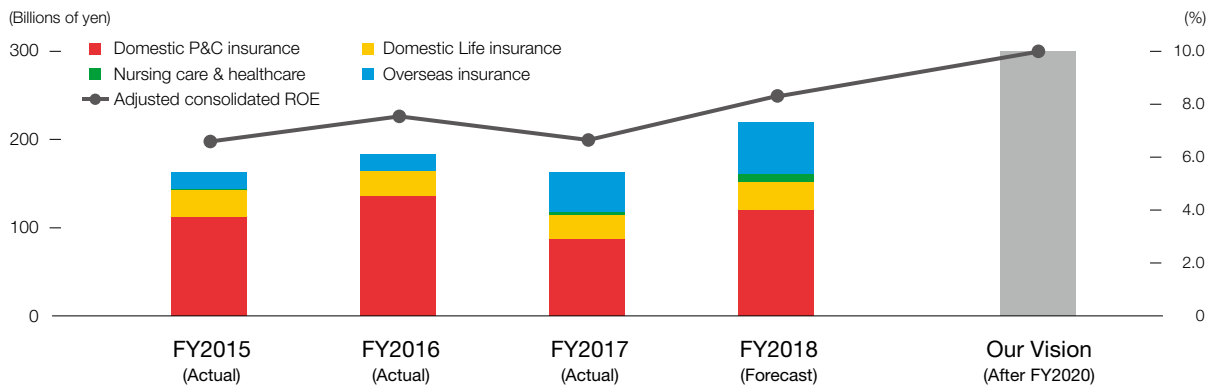
Thanks to a steady rise in the occupancy rate of nursing homes, this business achieved its goal of moving into the black in fiscal 2017. Also, we are simultaneously improving service quality and reducing costs through the merger of two of our Group companies,\* which we implemented in July 2018. In addition, anticipating the rapid aging of society, we are taking measures to extend healthy life expectancy. As part of these efforts, we have established the basis for industry-academia-government partnerships tasked with reducing and preventing dementia. Thus, our focus is not just on growing the Group but also on addressing social issues and helping make "Japan, an affluent country that can boast to the world about the long and quality lives of its people."

\* Sompo Care Inc. and Sompo Care Next Inc. merged, and Sompo Care Inc. is the surviving company.



### The Overseas Insurance Business

In developed countries, we have completed a reorganization centered on Sompo International, acquired in March 2017, and this effort has already borne fruit. For example, our underwriting has become more sophisticated. Also, we have established AgriSompo, which is rolling out crop insurance globally. Further, we intend to build a platform that encompasses insurance businesses in the retail fields of emerging markets. We are building the world's first truly integrated global insurance platform.



Adjusted consolidated profit*1	¥164.3 billion	¥183.2 billion	¥162.7 billion	¥220.0 billion*2	Toward global top 10 (¥300.0 billion level)
Adjusted consolidated ROE*1	6.9%	7.6%	6.4%	8.3%*2	Over 10.0%

\*1 For details about the definitions of adjusted consolidated profit and adjusted consolidated ROE, please see page 35.

\*2 The Group's numerical targets for fiscal 2018 under the Mid-Term Management Plan announced in November 2016 were adjusted consolidated profit of between ¥220.0 billion and ¥230.0 billion and adjusted consolidated ROE of over 8.0%.

### In Conclusion

Based on communication and partnerships with all stakeholders as well as an unshakable commitment to the vision of a "theme park for the security, health, and wellbeing of customers," the Group is going to unite and move forward to achieve transformation.

As we take on this challenge, we would like to ask all of our stakeholders for their continued support.

## Interviews with Outside Directors

### Enrich the Organization by Including Personnel with Diverse Expertise and Backgrounds

#### Sawako Nohara

President of IPSe Marketing, Inc.  
Project Professor of the Graduate School of Media and Governance,  
Keio University



Traditionally, the Sompo Holdings Group centered on the domestic P&C insurance business. Currently, however, as well as developing the domestic P&C insurance business, the Group is transforming into a global entity that offers a varied menu of services. In other words, the Group is implementing strategies to realize a “theme park for the security, health, and wellbeing of customers.” These efforts accord with the Group Vision, which states that “Our goal is to always be the best customer service provider both at home and abroad.”

In transforming, the Group must make effective use of the growth platform of the overseas insurance business so that it contributes to the Group as a whole. I believe that another important task is to use the overseas insurance business and digital strategies as foundations to foster an innovative corporate culture that includes personnel with diverse expertise and backgrounds, pursues outside collaborations and M&As proactively, and responds to change flexibly.

As for corporate governance, the progressiveness of the Group’s measures merits praise. For example, at meetings of the

Board of Directors internal and external executives have lively exchanges of opinions. Based on these discussions, the Group makes prompt decisions and implements reforms. Also, four of the five members of the Nomination and Compensation Committee are outside directors. With respect to directors and executive officers, the committee determines the appointment policy and the individuals put forward as candidates as well as deliberating and submitting recommendations to the Board of Directors in relation to evaluation methods, the compensation structure, and compensation itself. The committee has changed the Group’s compensation structure for directors and executive officers from a structure based on position to one based on the progress of each individual in performing their duties. By periodically deliberating the progress of the Group’s CEO in performing his duties, the committee evaluates his individual performance.

As an outside director, while focusing on the aforementioned points, I want to continue supporting and supervising the progress of transformation.

### Realize Unprecedented Transformation by Further Evolving Gemba-Power

#### Isao Endo

Chairman of Roland Berger Ltd.



Sompo Holdings is right in the middle of unprecedented efforts to realize a “theme park for the security, health, and wellbeing of customers.” The Company is daring to depart from past successes and received ideas to adopt fresh perspectives and ideas in the pursuit of transformation.

At a pace rarely seen in a company of its magnitude, the Company is tackling numerous reforms and challenges. This rapidity and a “body clock” that is synchronized to an era of volatility, uncertainty, complexity, and ambiguity (VUCA) are surely testaments to the new competitive strength that Sompo Holdings is acquiring.

Nonetheless, the transformation has just begun. In establishing a new business model, the Company will no doubt face many difficulties and trials.

However, precisely such difficulties and trials will strengthen employees, thereby fostering future leaders of Sompo Holdings. The greatest product of transformation will be personnel who open

the way to the future by focusing on the logic of customers, markets, and competitiveness rather than inward-looking logic.

In creating its future, the Company faces a myriad of management tasks, such as taking on new business domains and building an entirely novel platform, not to mention further evolving *Gemba-Power\** to accomplish the first two tasks. As it proceeds, the management team must not lose sight of the big picture or attempt to please everybody.

I look forward to each employee actively participating in the transformation as the Company unites to create a “theme park.”

\* *Gemba-Power* is the autonomous problem-finding and problem-solving capability of *gemba*, which can be loosely translated from Japanese as staff on the front lines.



## Exchange Information with Customers Directly

**Tamami Murata**

Attorney at Law



In the mature business fields of domestic P&C insurance and domestic life insurance, the Sompo Holdings Group is adding new value by offering insurance products with attached services that help customers drive safely or become healthier. Also, the Group is transforming other businesses at quite a high tempo and creating new social value. For example, in the nursing care & healthcare business the Group is developing industry-academia-government partnerships to advance initiatives focused on preventing dementia and living with the condition. Meanwhile, the overseas insurance business is constructing a new platform. As we approach the halfway point of the Mid-Term Management Plan, I hope to see the benefits of synergies among businesses and the marketing of new products and services.

Given its current situation, Sompo Holdings should keep in mind two themes.

First, without losing momentum, the Company should modulate governance of Group companies. It should promptly and appropriately decide which companies need priority support and monitoring and how far to delegate matters to operating companies.

Second, the Company needs to focus on whether information about its new value creation and services is reaching customers. In my view, information has reached customers when it has received a reply of “yes” or “no” from them. When a customer replies in the affirmative, this shows that a product or service will create new value. Going forward, I would like the Company to make even greater use of applications and e-mails and achieve direct exchanges of information with customers so that the SOMPO brand is their first choice in all matters pertaining to security, health, and wellbeing.

## Heighten All Employees' Involvement in Strategies

**Scott Trevor Davis**

Professor of the Department of  
Global Business, College of Business,  
Rikkyo University



Sompo Holdings has made considerable progress in the achievement of its goals over the past year. Many corporations in Japan's insurance industry have been actively engaged in the implementation of plans to adapt their businesses to market changes. By contrast, Sompo Holdings has invested the past 12 months implementing a range of policies designed to transform its organization, business operations, and the geographical distribution of its assets in order to put itself ahead of these changes. The results of this transformation strategy are evident in several areas.

Organizationally, Sompo Holding's strong executive team has effectively utilized the newly introduced matrix of CxO and Business Owner roles to implement a decision-making process that combines rigorous debate with a strong sense of strategic direction and action. This process of mission-driven management has been further reinforced by the introduction of a value-driven system of executive remuneration that enhances the corporation's ability to attract, retain, and motivate talented personnel in critical areas.

The application of digital technology combined with collaboration among business units in different regions and industries has been further accelerated during the past year and has yielded a number of highly promising initiatives with the potential to enhance Sompo Holding's capacity to promote innovation within both

existing and new businesses. This ability to promote innovative new business models while concurrently enhancing its existing business activities has become a defining characteristic of Sompo Holdings and an indication of the quality of its management.

Sompo Holding's achievements at the global level have been remarkable. In marked contrast to the prevailing practices of most Japanese firms, Sompo Holdings has used its recent successful completion of a major international acquisition as an opportunity to consolidate its entire existing portfolio of global operations and coordinate its overseas business interests under the leadership of a new global management platform that augments Sompo's existing core of highly experienced international executives with a new group of executive personnel whose entrepreneurial spirit and expertise open up a wide range of new strategic possibilities for further growth.

During the past year, Sompo Holdings has effectively implemented a range of innovations to achieve its goal of strategic transformation. Progress over the next few years will hinge upon the Company's ability to maintain this momentum by creating synergies between its domestic and global businesses, promote strategic engagement among all its personnel, and further develop its narrative of wellbeing into innovative and attractive services for the Japanese market.

# Corporate Governance

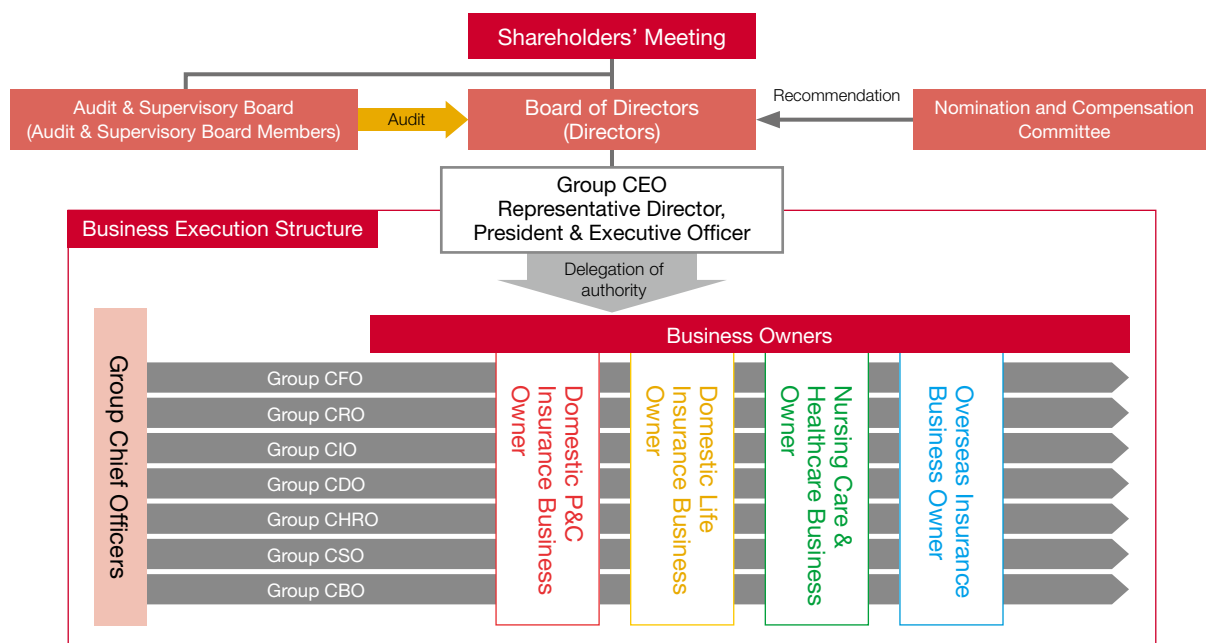
The Group considers continuously improving the transparency and fairness of its corporate governance and fulfilling its corporate social responsibility as essential to maintaining strong relations of trust with stakeholders.

The Group formulated its Corporate Governance Policy to clarify basic policies regarding the formation of the overall vision for the governance structure and the governance framework. We continue to improve our corporate governance and aim to establish optimal systems.

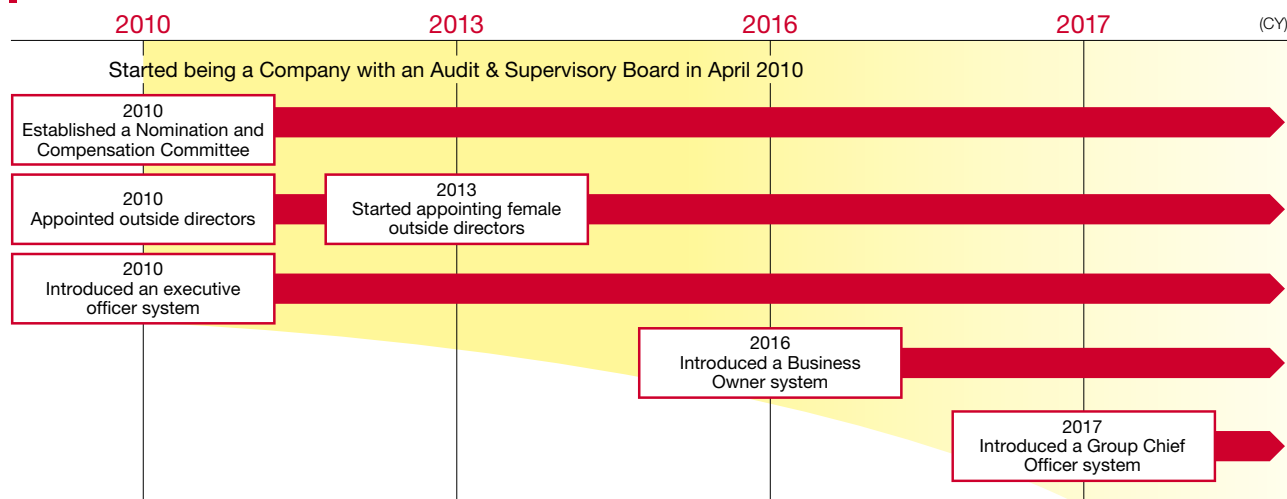
As a Company with an Audit & Supervisory Board, to improve corporate value, we maintain and promote effective oversight and auditing functions using a system of corporate governance comprising the Board of Directors, which makes important management decisions and oversees business execution, and Audit & Supervisory Board members and an Audit & Supervisory Board that are independent of the Board of Directors. In addition, for our business execution structure, under the overall supervision of the Group CEO, we have elected to adopt a Business Owner system, a Group Chief Officer (CxO) system, and an executive officer system to ensure swift and agile decision making as well as to clarify authority and responsibility.

In addition, to ensure transparency in the appointment and treatment of directors, the Nomination and Compensation Committee, which is chaired and membered by a majority of outside directors, has been set up as an advisory body to the Board of Directors.

## Corporate Governance Structure



## Main Corporate Governance Reforms



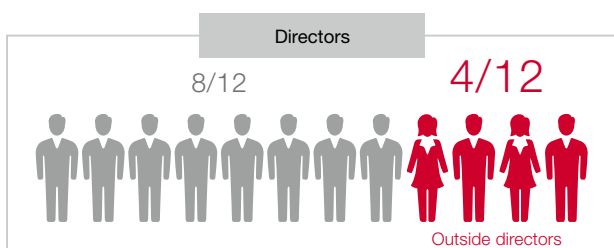
## Features of Our Corporate Governance

### 1 Robust Corporate Governance

We have a hybrid governance model, which heightens the effectiveness of governance, incorporating many of the advantages of adopting “a company with committees” organizational structure.

- **Multiple outside directors contributing to a diverse Board of Directors**

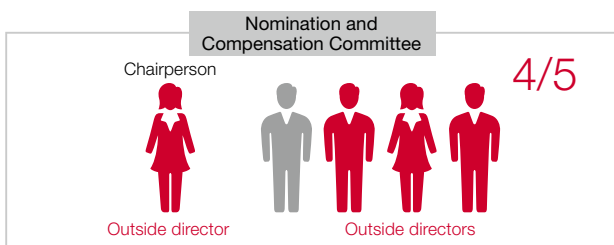
One-third of directors, or four out of 12 directors, are outside directors. The outside directors have diverse backgrounds: two are managers, one is a legal expert, and one is a professor (two are women and one is non-Japanese).



- **Establishment of a Nomination and Compensation Committee**

The Nomination and Compensation Committee has been established as an advisory body to the Board of Directors intended to improve transparency and fairness regarding director and executive officer nomination and compensation.

The Nomination and Compensation Committee comprises five members (four outside directors and one internal director [the Group CEO]) and is chaired by an outside director. This committee is responsible for evaluating directors and executive officers and discussing compensation schemes for directors and executive officers as well as individual compensation amounts and reporting to the Board of Directors on these matters. The results of evaluations by the committee are reflected in yearly decisions regarding the reappointment of each officer. When evaluating the Group CEO, discussions are held among only the outside directors on the committee, and the results of these evaluations

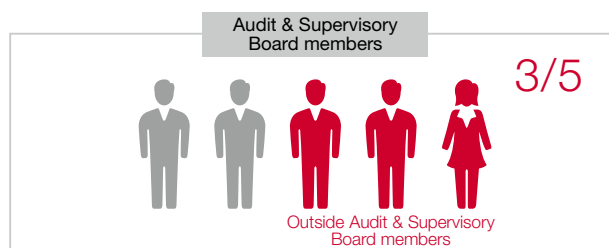


- **Evaluation of the effectiveness of the Board of Directors**

In order to enable the Board of Directors to fully exercise its supervisory function as well as its function for encouraging appropriate risk-taking by executive management, the Company convenes integrated Board of Directors and preliminary briefing session meetings to promote open and unrestricted discussions. In addition, the Company employs means such as discussions on the roles of the holding company in Group management, exchanges of opinions between only the Group CEO and outside directors, self-assessments and overall reviews by Group Chief Officers, exchanges of opinions between representative directors and

- **Oversight and auditing functions through Audit & Supervisory Board members and an Audit & Supervisory Board**

A majority of Audit & Supervisory Board members, specifically, three out of five members, are outside Audit & Supervisory Board members. They provide oversight and auditing from a position independent of management, participate in various internal committees, and are involved in decisions on the validity of business execution.

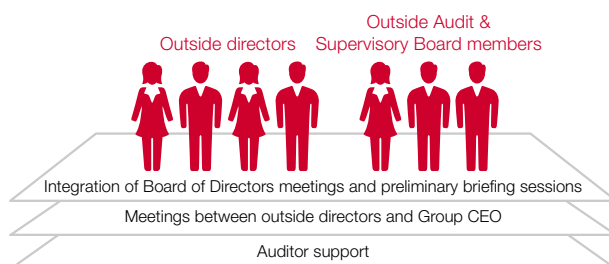


are reported to the Board of Directors in order to ensure the objectivity, timeliness, and transparency of the process regarding the reappointment of the Group CEO.

Note: Please refer to page 87 for details regarding the executive compensation scheme.

- **System to support proactive engagement of outside directors and outside Audit & Supervisory Board members**

Board of Directors meetings and preliminary briefing sessions are conducted in an integrated manner to facilitate extensive and constructive discussions as well as effective proceedings at meetings of the Board of Directors. In addition, meetings between outside directors and the Group CEO are held to allow for free exchanges of opinions among outside directors and between these directors and the highest authority for executive management.



Audit & Supervisory Board members, and director surveys to provide opportunities to assess and identify issues regarding the effectiveness of the Board of Directors from a wide range of perspectives. By implementing the necessary improvements based on these efforts, the Company builds a governance structure to improve transparent and objective decision-making processes and supervisory functions.

In fiscal 2017, the Board of Directors made timely and appropriate decisions on Group frameworks and growth strategies such as building a robust growth foundation for the overseas insurance business and

## Corporate Governance

utilizing digital technologies to realize innovation. In this process, discussions were held at various junctures on the roles that the Company should play to facilitate the Group's sustained growth and further increase corporate value—such as deciding on the Company's involvement in the management of operating companies based on the stages and environments of each operating company and allocating the necessary resources and supporting transformation of business models. The results of such discussions are being reflected in efforts to narrow down the items to be discussed by the Board of Directors, review roles

and functions within the Group, and formulate business plans, among other activities.

The Company considers this dynamic plan-do-check-act (PDCA) cycle to be functioning effectively, and going forward, the Company believes that continuing discussions from a broad range of perspectives and points of view and utilizing the results as feedback for the Group as a whole will allow for more advanced governance and enable us to respond to the expectations of all of our stakeholders.

### 2 Flexible and Responsive Execution of Operations

To facilitate responses to rapid changes in the environment, we are implementing a Business Owner system and a Group Chief Officer (CxO) system under the overall supervision of the Group CEO.

#### • Matrix-style management system formed by Business Owner and Group CxO Systems

In the current era of volatility, uncertainty, complexity, and ambiguity (VUCA), a flexible and responsive management system is of utmost importance.

To achieve such a management system, the Sompo Holdings Group is developing a matrix-style management system comprising vertical and horizontal axes under the overall supervision of the Group CEO. On the vertical axis, Business Owners, who are heads of business

segments, are delegated substantial authority to allow them to perform swift decision making and business execution. On the horizontal axis, Group Chief Officers, who are the highest authority in their respective functional areas, oversee their area of responsibility on a Group-wide basis to ensure decision making that is best for the Group and exercise functions laterally across the Group.





### Business Owner System

Business Owners are responsible for advancing plans for the entirety of their respective business segments while also helping build a “theme park for the security, health, and wellbeing of customers” in order to contribute to the realization of the Group Management Philosophy and implement the Group's management plans. Accordingly, Business Owners are endowed with significant authority, related to areas such as business strategy formulation, investment decision making, and human

resource assignment, as required to accomplish those objectives.

Since the introduction of the Business Owner system in April 2016, Business Owners have been leading their business segments in implementing dynamic growth strategies and in taking flexible and responsive action to address issues through swift decision making and business execution.

Note: Please refer to page 44 and beyond for details regarding businesses and initiatives.

			Principal Group Companies
	<b>Keiji Nishizawa</b> Domestic P&C Insurance Business Owner Director	Chief executive of the domestic P&C insurance business	Sompo Japan Nipponkoa SAISON AUTOMOBILE AND FIRE Sompo 24 Sompo Japan Nipponkoa DC Securities Sompo Risk Management & Health Care
	<b>Yasuhiro Oba</b> Domestic Life Insurance Business Owner Director	Chief executive of the domestic life insurance business	Sompo Japan Nipponkoa Himawari Life
	<b>Mikio Okumura</b> Nursing Care & Healthcare Business Owner Director, Managing Executive Officer	Chief executive of the nursing care & healthcare business	Sompo Care
	<b>Junichi Tanaka</b> Overseas Insurance Business Owner Director, Managing Executive Officer	Chief executive of the overseas insurance business	Overseas subsidiaries



## Group CxO System





Under the Group CxO system, Group Chief Officers act as the highest authority for the Group in their respective functional areas. In this capacity, they exercise their functions in acting in the Group's best interests laterally across the Group based on the Group's strategies and on their roles, functions, and responsibilities.

The Group CxO system was introduced in April 2017 to serve as a framework designed to promote strong, mission-driven leadership. The roles and functions as well as the skills and experience required of each Group Chief Officer are defined in the Group's function portfolio.

The roles and functions of the currently appointed Group Chief

Officers are described in the table below. In April 2018, we newly appointed a Group CSO and a Group CBO while also integrating oversight functions through means such as consolidating the position of the Group CACO,\* who was responsible for internal control and internal audits at the Group, into the position of Group CRO, who oversees the Group's risk management.

The roles and functions of Group Chief Officers as well as the number of officers and the fields for which officer positions exist are not set but will rather be flexibly revised as the operating environment of the Group or the management issues it faces change.

		Area of Responsibility	Roles and Functions
	<b>Shinji Tsuji</b> Group CFO Representative Director, Deputy President and Senior Managing Executive Officer	Chief executive of the Group's finances	<ul style="list-style-type: none"> <li>Supporting the strategic decision making of the Group CEO and overseeing finance and accounting functions</li> <li>Facilitating the accomplishment of financial targets and contributing to the maximization of corporate value by heightening capital efficiency from the perspective of overall optimization</li> </ul>
	<b>Masato Fujikura</b> Group CRO Director, Managing Executive Officer	Chief executive of the Group's risk management	<ul style="list-style-type: none"> <li>Entrenching Enterprise Risk Management to contribute to higher corporate value</li> <li>Formulating basic Group policies for internal control and internal audits, establishing and maintaining management and reporting systems, performing monitoring, and providing support to develop effective and efficient internal control systems and thereby ensure appropriate operations</li> </ul>
	<b>Masahiro Hamada</b> Group CSO Director, Managing Executive Officer	Chief executive of the Group's strategies	<ul style="list-style-type: none"> <li>Overseeing the formulation and execution of strategies for the areas of corporate planning and legal affairs and supporting the strategic decision making of the Group CEO with regard to said areas</li> <li>Formulating and implementing Group-wide strategies and contributing to the accomplishment of management targets by ensuring consistency in the establishment and implementation of strategies in each field and business</li> </ul>
	<b>Masahiro Hamada</b> Group CIO Director, Managing Executive Officer	Chief executive of the Group's IT	<ul style="list-style-type: none"> <li>Establishing and promoting Group-wide IT strategies</li> <li>Facilitating management reforms by controlling system costs and system risks and developing systems tailored to the management objectives of each business</li> <li>Promoting digitalization to improve the competitiveness of each business</li> </ul>
	<b>Koichi Narasaki</b> Group CDO Managing Executive Officer	Chief executive of the Group's digital strategies	<ul style="list-style-type: none"> <li>Overseeing Group-wide digital strategies</li> <li>Contributing to earnings through digital strategies and advancing the Group's digital transformation</li> </ul>
	<b>Satoshi Kasai</b> Group CHRO Managing Executive Officer	Chief executive of the Group's human resources	<ul style="list-style-type: none"> <li>Maximizing the Group's human capital by establishing and implementing Group human resource visions and strategies, managing Group-wide human resource functions, and overseeing the employee development initiatives of human resource divisions in order to support the realization of Group-wide visions and strategies</li> <li>Realizing effective governance of human resources and compensation through involvement in the appointment of Group officers and in officer compensation</li> </ul>
	<b>Kiyoshi Aoki</b> Group CBO Executive Officer	Chief executive of the Group's brand	<ul style="list-style-type: none"> <li>Developing a definition of the SOMPO brand that is consistent across domestic and overseas Group companies to serve as a set of principles for realizing the Group's management vision and communicating this definition to customers and society</li> <li>Entrenching brand strategies throughout the Group to contribute to corporate culture reforms and quality improvements</li> </ul>

\* CACO is an initialism for chief audit and compliance officer



## Directors and Audit & Supervisory Board Members

(As of July 2018)

**A** Group CEO  
Representative Director,  
President and Executive Officer  
**Kengo Sakurada**

**B** Group CFO  
Representative Director,  
Deputy President and  
Senior Managing Executive Officer  
**Shinji Tsuji**

**C** Group CRO  
Director,  
Managing Executive Officer  
**Masato Fujikura**

**D** Nursing Care & Healthcare  
Business Owner  
Director,  
Managing Executive Officer  
**Mikio Okumura**

**E** Overseas Insurance  
Business Owner  
Director,  
Managing Executive Officer  
**Junichi Tanaka**

Note: Please refer to page 78 for details on management members.



**F** Group CSO and Group CIO Director, Managing Executive Officer  
**Masahiro Hamada**

**I** Outside Director  
**Sawako Nohara**

**L** Outside Director  
**Scott Trevor Davis**

**O** Outside Audit & Supervisory Board Member  
**Naoki Yanagida**

**G** Domestic P&C Insurance Business Owner Director  
**Keiji Nishizawa**

**J** Outside Director  
**Isao Endo**

**M** Audit & Supervisory Board Member (Full-Time)  
**Masaki Hanawa**

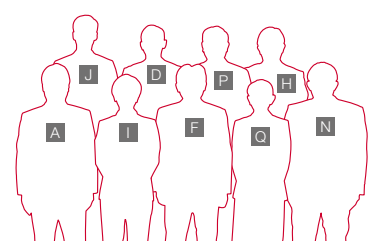
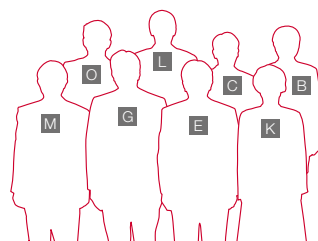
**P** Outside Audit & Supervisory Board Member  
**Hideyo Uchiyama**

**H** Domestic Life Insurance Business Owner Director  
**Yasuhiro Oba**

**K** Outside Director  
**Tamami Murata**

**N** Audit & Supervisory Board Member (Full-Time)  
**Hidenori Hanada**

**Q** Outside Audit & Supervisory Board Member  
**Atsuko Muraki**





**Based on our Strategic Risk Management (ERM)\* framework, we aim to provide attractive shareholder returns and maximize corporate value based on a balance between profit and capital.**

\* ERM: Enterprise Risk Management

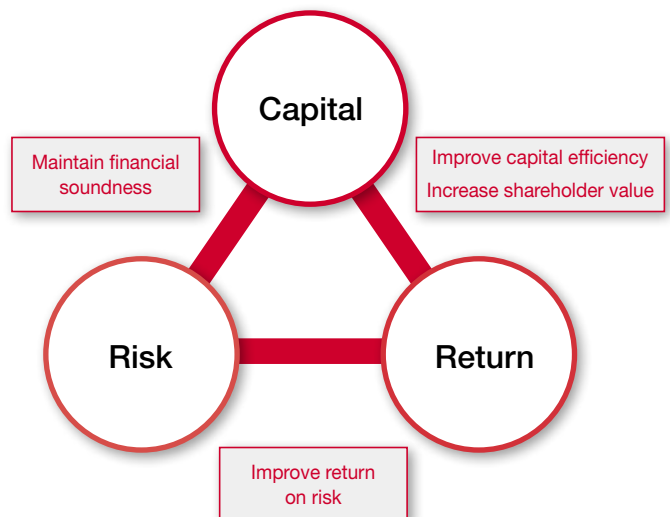
**Shinji Tsuji**  
Group CFO  
Representative Director,  
Deputy President and  
Senior Managing Executive Officer

## Basic Capital Policy

The basic capital policy of the Sampo Holdings Group entails appropriately controlling the balance between profit, capital, and risk and maintaining robust financial soundness based on the Strategic Risk Management (ERM) framework. We thereby aim to achieve growth that will put our profit levels within the global top 10 insurers, which is our vision for the growth of the Group; steadily improve capital efficiency to realize adjusted consolidated ROE of 10.0% or more; and provide attractive shareholder returns (shareholder dividends and share buybacks) commensurate with our profit and capital levels.

Based on our basic capital policy, we apply management procedures for financial soundness based on the European Union's Solvency II and other international capital regulations and utilize return on risk (ROR) as an indicator for making management decisions in a wide range of fields, including performance evaluation and investment. We also strive to enhance capital quality on a continuous basis and to promote capital policy that facilitates the acquisition of returns in order to maximize corporate value.

## Capital Policy Based on the ERM Framework

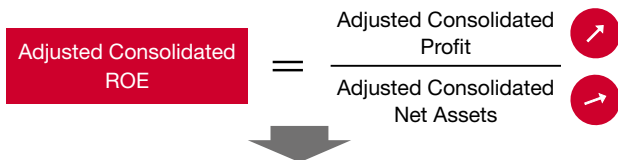




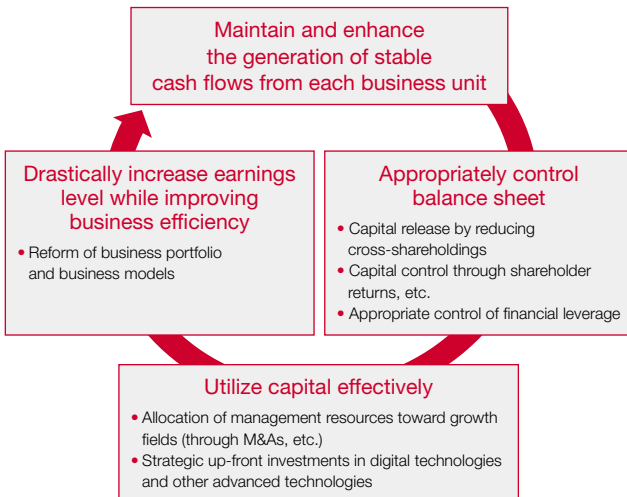
## Improvement of Capital Efficiency

By implementing an operating cycle for improving capital efficiency (ROE) sustainably that was established on the basis of its Strategic Risk Management framework, the Group appropriately controls its balance sheet through such measures as continuing to reduce its cross-shareholdings, increasing shareholder returns, and managing financial leverage while enhancing its systems for generating stable cash flows in each of its businesses. On this basis, we will allocate management resources toward growth fields (through M&As, for example) and conduct forward-looking strategic investments in various fields with the potential to bring about new businesses and to revolutionize industry structures, such as digital technologies and advanced sciences and technologies. In addition, we will work to achieve drastic improvements in business efficiency and profit levels by transforming our business portfolio and business models. As a result, we intend to achieve sustainable growth in adjusted consolidated profit and adjusted consolidated ROE and reach our medium-to-long-term targets.

### ROE Improvement Cycle



Cycle for Raising Adjusted Consolidated ROE to 10.0% or More



## Policy on Cross-Shareholdings

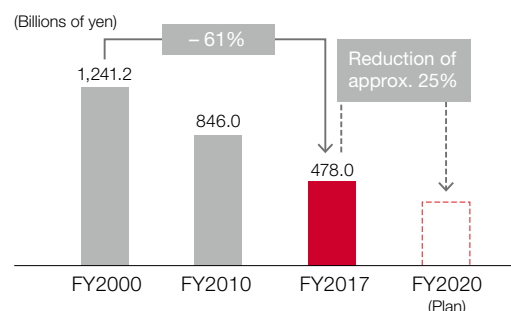
The Company's subsidiary Sampo Japan Nipponkoa Insurance Inc. engages in cross-shareholdings for the purposes of receiving investment returns in the form of dividend income and share price appreciation, enhancing relations with the insurance sales channels and business partners, and maintaining and strengthening insurance transactions with corporate clients.

The Board of Directors annually examines the rationale for continuing to maintain cross-shareholding accounts. These examinations consider the future use of the shares based on the cross-shareholding objectives, such as supporting insurance transactions and strengthening alliances, review the long-term outlooks for unrealized gains from value appreciation and the share value, and set quantitative risk and return assessment benchmarks for the associated insurance transactions and share values.

As part of the Group's capital policy, the Company implements a management policy of allocating a portion of the gains generated from the continuous selling of cross-shareholdings to growth business investments, such as overseas M&A activities, to support the maintenance of financial soundness and improve capital efficiency. These activities are conducted in accordance with the mid-term and annual retention and disposal plans for cross-shareholdings established by the Board of Directors.

Under the current Mid-Term Management Plan, we plan to reduce cross-shareholdings by around ¥100.0 billion per year. The amount of reduction in fiscal 2017 was ¥109.6 billion. We will continue to reduce the overall balance of cross-shareholdings going forward based on quantitative evaluations and extensive discussions with counterparties.

### Balance of Cross-Shareholdings Based on Book Value



## Shareholder Returns

Sompo Holdings' basic policy is to issue stable dividends based on evaluations of the Company's financial position and the outlook for the operating environment and with a view to increasing dividends in line with profit growth. We also consider flexible share buybacks as a potential option when deemed appropriate based on the Company's stock price and capital condition. Through this approach, we seek to provide attractive shareholder returns.

Based on growth in adjusted consolidated profit, we plan to proactively increase the total of shareholder returns (total dividend payments + total share buybacks). In the Mid-Term Management Plan, we set the medium-term target for the total payout ratio\* at around 50% of adjusted consolidated profit.

As shareholder returns based on our performance in fiscal 2017, we have chosen to pay an annual dividend of ¥110 per share, consisting of an interim dividend and a year-end dividend of ¥55 each, which will represent a year-on-year increase of ¥20 per share. In addition, we conducted share buybacks totaling ¥39.0 billion for the purpose of shareholder returns. The total payout ratio was 50% of fiscal 2017's adjusted consolidated profit.

As for fiscal 2018, we intend to raise dividend payments for the fifth consecutive year with a ¥20 increase over the level from fiscal 2017, making for an annual dividend of ¥130 per share, comprising an interim dividend and a year-end dividend of ¥65 each.

Going forward, we will continue to use internal reserves and capital gains generated from sales of cross-shareholdings to conduct promising growth investments in pursuit of rapid business growth. By allocating the additional profit generated through such growth to the enhancement of shareholder returns, we will maximize shareholder value.

\* The total payout ratio is an indicator of the weight of shareholder returns on the profit of each period and is calculated using the following formula.

Total payout ratio = (total dividend payments + total share buybacks for shareholder returns) / adjusted consolidated profit

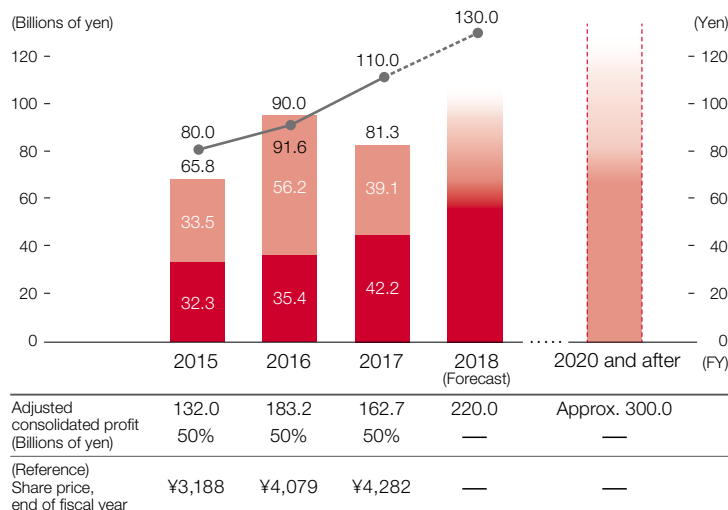
Please see page 35 for the method of calculating adjusted consolidated profit.

## Maintenance of Financial Soundness

To maintain financial soundness, we manage capital based on the economic solvency ratio (ESR), determined by comparing economic value based on capital and risk.

Capital management is carried out by establishing a target capital level (ESR: around 180% to 250%) and a risk tolerance level as indicators of the amount of capital necessary for advancing Group strategies. When calculating ESR, we employ capital management methods based on the European Union's Solvency II and other international capital regulations in order to increase global comparability, taking into account the recent disclosure status of insurance companies in Japan and overseas. Financial soundness is maintained and managed in this manner.

### Trend in Total of Shareholder Returns



■ Dividends (left scale) ■ Total share buybacks (for shareholder returns) (left scale)

● Annual dividends per share (right scale)

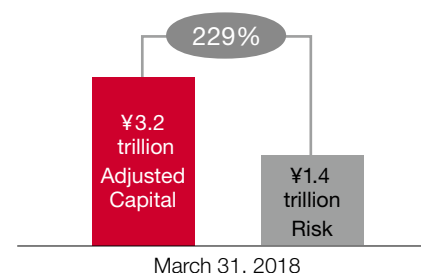
Note: Adjusted profit of the domestic life insurance business was excluded under the previous Mid-Term Management Plan (which ended in fiscal 2015).

### ESR (Economic Solvency Ratio)

#### Target Capital Level of around 180% to 250%

180%: Level leading to stable financial soundness based on results of stress tests

250%: Level set based on capital efficiency





With an ESR of 229% as of March 31, 2018, the level is within our target capital range, indicating that we are maintaining robust financial soundness.

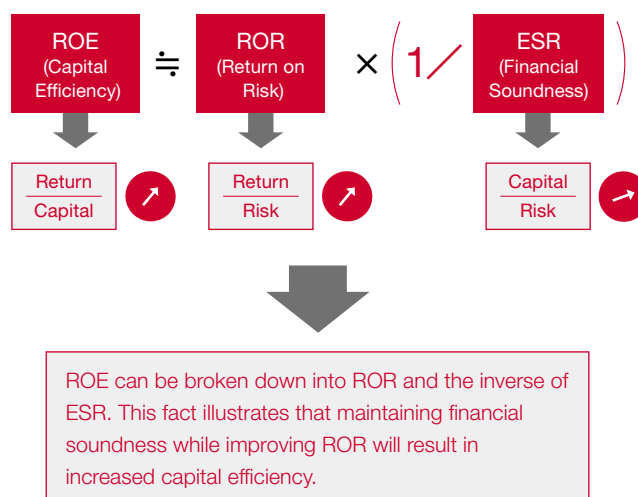
### Improvement of Return on Risk

We use the return on risk indicator of ROR for making various management decisions in order to operate our businesses in a manner that ensures returns match or exceed the level of risks. By improving capital efficiency and maintaining financial soundness through increases in ROR, we seek to sustainably enhance corporate value.

When formulating business plans, the Group confirms the validity of plans in terms of the future outlook of the Group's overall capital efficiency, financial soundness, and earnings stability as well as quantitative analyses of ROR of each business unit and line of business.

Not just limited to these areas, ROR functions as a yardstick for management in a wide area of individual policies. This indicator is thus utilized when selecting stocks as part of reducing cross-shareholdings, formulating natural catastrophe risk reinsurance strategies, making investment decisions regarding M&A activities, setting insurance product underwriting strategies and premiums, and evaluating officer and employee performance.

#### Utilization of ROR (Breakdown of ROE)



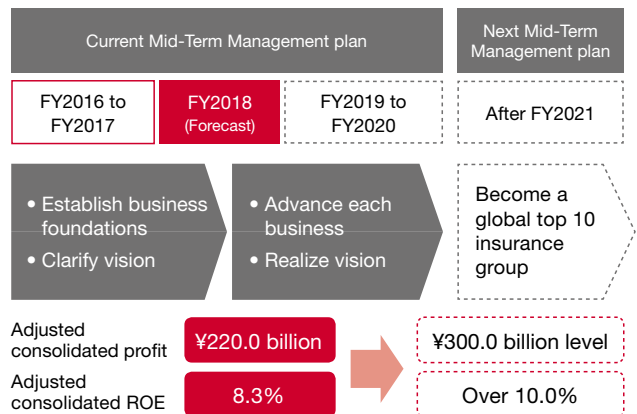


**We are making steady progress on the Mid-Term Management Plan toward realizing a “theme park for the security, health, and wellbeing of customers.”**

**Masahiro Hamada**  
Group CSO  
Director, Managing Executive Officer

## Mid-Term Management Plan

The central focus of our current Mid-Term Management Plan, which commenced in fiscal 2016, is to transform into a group capable of sustaining growth into the future with an eye on the domestic market after the Tokyo 2020 Olympic and Paralympic Games amid rapid changes in the external environment. Our vision is to evolve into a “theme park for the security, health, and wellbeing of customers.” More specifically, we aim to thoroughly enhance the appeal of each business while leveraging digital technologies, seeking out new business opportunities, and effecting changes through collaboration between Group businesses and by building ecosystems with external partners. Our ultimate aim is to create new business models that are a clean break from the past.



## Review of Fiscal 2016–Fiscal 2017

One of the Sampo Holdings Group’s strengths is the speed at which it takes on new challenges. In order to accelerate momentum in management, since the outset of the Mid-Term Management Plan, Sampo has pursued optimal Group governance by unleashing the centrifugal forces of each business through its Business Owner system and by leveraging functionality Group-wide through its Group Chief Officer system. Under these systems, during the first two fiscal years of the Mid-Term Management Plan, we put into place solid foundations for each business and defined the kind of transformation that each business should aspire to achieve.

In the domestic P&C insurance business, after the completion of one of the largest-ever mergers in Japan, the Sampo Holdings Group concentrated efforts on reinforcing profitability and limiting volatility in profits in order to generate a steady stream of cash in this core Group business. At the same time, we made every effort to create new value and



build business models by utilizing digital technologies and partnering with innovative players.

In the domestic life insurance business, brisk business expansion centered on protection-type products led to growth in scale to a level that will consistently contribute to Group profits. As a health support enterprise, Sampo has launched a healthcare service brand with the aim of providing insurance with healthcare services (Insurhealth) not offered by other companies.

Sampo ventured into the nursing care & healthcare business with the acquisition of major nursing care providers in the second half of fiscal 2015. While confronting and overcoming a variety of challenges, we have focused on improving profitability along with quality. In addition to the nursing care business, we intend to help solve social issues through research and the provision of services centered on preventing deterioration in cognitive functions.

In the overseas insurance business, our acquisition of Sampo International (formerly Endurance Specialty Holdings Ltd.) in March 2017 led to a significant expansion in business scale while prompting a reorganization of our operations in developed countries. Sampo intends to build out a global platform that also includes emerging countries with the aim of facilitating profit growth across the Group.

We have begun to see the contours of our transformation take hold with the establishment of solid foundations in each business.

## Position of Fiscal 2018

As the third fiscal year of the Mid-Term Management Plan and

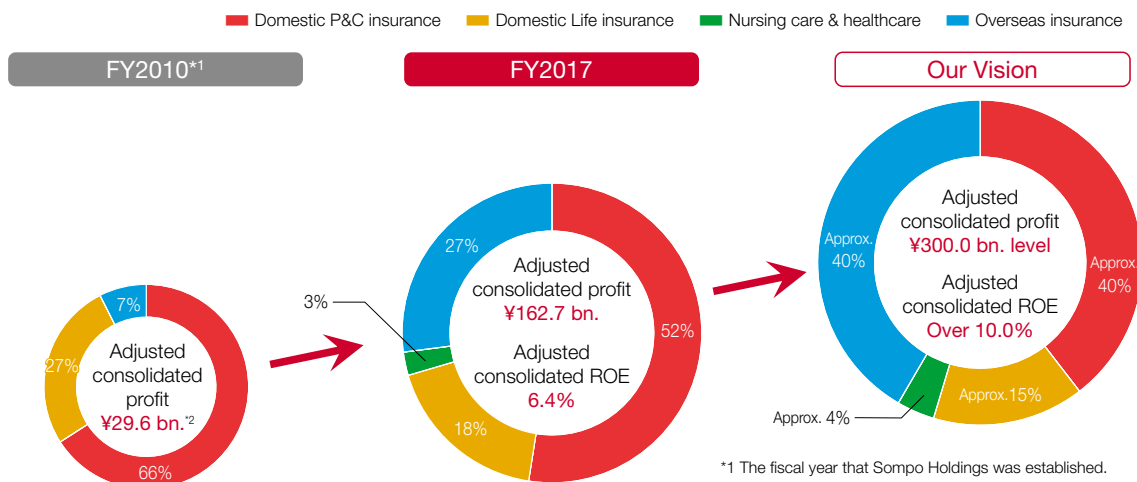
its halfway point, fiscal 2018 is extremely important for Sampo. Not only must earnings begin to reflect the results of our accomplishments, the transformation of each business that began to show during the plan's first two fiscal years must become more visible. In other words, we have to demonstrate solid progress that will move us forward into the second half (the realization phase) of the Mid-Term Management Plan.

## Group Vision

As a holding company, Sampo Holdings will support the transformation of each business while guiding on digital and human resource strategies for the entire Group in the pursuit of realizing a "theme park for the security, health, and wellbeing of customers." Moreover, Sampo is working to reform its business portfolio as a part of the transformation of the entire Group. Cash flows generated from steady growth in each business and excess capital freed up from the winding down of cross-shareholdings will be allocated to M&As in growth fields and investments in fields likely to show innovation, such as digital and cutting-edge technologies. As a result, Sampo aims to expand profits and improve capital efficiency further.

Through growth in both innovativeness (quality) and scale (quantity), Sampo intends to achieve as quickly as possible its numerical management targets for adjusted consolidated profit of over ¥300.0 billion and adjusted consolidated ROE of over 10.0%. Management will continue to execute Group strategies with the aim of becoming a unique and innovative group, unlike any other in the world, in promoting the security, health, and wellbeing of its customers.

## Progress of Business Portfolio Transformation



\*1 The fiscal year that Sampo Holdings was established.

\*2 Estimate based on the current definition of adjusted consolidated profit

# Creating Social Value by Building a “Theme Park for the Security, Health, and Wellbeing of Customers”



**SUSTAINABLE DEVELOPMENT GOALS**



The Group Management Philosophy calls on us to “contribute to the security, health, and wellbeing of our customers and society as a whole by providing insurance and related services of the highest quality possible.” In accordance with this philosophy, the Sampo Holdings Group is developing its mainstay insurance businesses while expanding a diverse range of other businesses.

We aim to realize a “theme park for the security, health, and wellbeing of customers” that enables them to lead fun, happy, and healthy lives. This approach will contribute to the achievement of several of the Sustainable Development Goals (SDGs) that the United Nations Sustainable Development Summit adopted in 2015. Specifically, we are particularly well qualified to contribute to goal 3: Ensure healthy lives and promote wellbeing for all at all ages; goal 11: Make cities inclusive, safe, resilient, and sustainable; and goal 17: Revitalize the global partnership for sustainable development. We benefit society not only by providing insurance services to individuals and companies when accidents occur or issues arise but also by suggesting preventive measures to reduce their frequency and by creating innovative “security and wellbeing” products and services that enrich daily life and transcend the boundaries of insurance.

**1** Realize “Japan, an affluent country that can boast to the world of a long and quality life”

**2** Security and Wellbeing Stemming from Disaster Preparedness

**3** Support for Healthy Lifestyles and Lives

1

## Realize “Japan, an affluent country that can boast to the world of a long and quality life”

### Social Issues

The aging of society is one of the major issues that Japan faces today. In 2007, Japan became a “super-aging society” when, for the first time, those aged 65 or above accounted for more than 21% of the total population. By March 2018, more than half of senior citizens were aged 75 or above. As society ages, issues emerge. These include rising medical

and nursing care costs and other social welfare costs, increasing numbers of senior citizens with mild cognitive impairment or dementia, and shortages of nursing care personnel. To tackle such issues, the Sompō Holdings Group is leveraging the wide range of resources and digital technologies that it has developed.

### Launch of the SOMPO Dementia Support Program

It is estimated that there were approximately 8.6 million senior citizens with mild cognitive impairment or dementia in Japan in 2012. By 2025, this figure is projected to reach 13.0 million. Viewing dementia as an important social issue that the whole Group should address and aiming to build a society that strives to prevent dementia and enables people to continue living long and happy lives with dignity as individuals, even after being diagnosed with dementia, we launched the SOMPO Dementia Support Program. We will advance the program by using feedback from nursing care personnel as well as advice from the National Center for Geriatrics and Gerontology, with which we concluded a comprehensive alliance agreement in September 2017, and from Alzheimer’s Association Japan, Japan’s largest group for those with dementia and their families.

As the first phase of the program, in October 2018 we will begin providing an online dementia support service, SOMPO Egao Club, which will help prevent cognitive decline. SOMPO Egao Club will be a common incidental service for two products that we will launch in October 2018. Specifically, Sompō Japan Nipponkoa Insurance Inc. will market an insurance product Oyako No Chikara that helps people avoid having to quit work to care for family members, while Sompō Japan Nipponkoa Himawari Life Insurance, Inc., will market an insurance product that provides a one-time payment if a

diagnosis of mild cognitive impairment or dementia is received, Linkx Egao Wo Mamoru Dementia Insurance.

With a view to developing and providing other solutions that cater to customers’ dementia-related needs, the Sompō Holdings Group will leverage the unique collective strengths that result from operating one of the largest insurance businesses in Japan as well as one of the country’s largest nursing care businesses. These initiatives will include joint research with the National Center for Geriatrics and Gerontology to clarify the relationship between the cognitive function of elderly drivers and automobile accidents and the distinctive causes of automobile accidents involving such drivers. Also, we will collaborate with other companies and organizations to develop products and services as well as conduct activities to support those affected by dementia and to help raise awareness of the condition.



A screenshot of the SOMPO Egao Club website service menu page



## Human Resource Development— Establishment of SOMPO Care University and SOMPO Care FOOD LAB

In the nursing care industry, the development and retention of personnel have become issues. Aiming to address these issues and give all employees opportunities to gain a sense of growth as nursing care specialists, the Sompō Care Group opened SOMPO Care University in July 2017. In establishing the university, the Sompō Care Group has expanded the Sompō Care Next Step Center, which Sompō Care Next opened in April 2016, and positioned it as the training center for the entire Sompō Care Group. The revamped facility offers improved programs based on a high-quality training system. At the same time, through collaboration with a variety of research bodies, we are operating the facility as an open,

in-house university. At the university, we aim to create a general R&D center for nursing care that has the capabilities to research frontline issues and countermeasures and where not only personnel of the Sompō Care Group but also those in a variety of professions that support the nursing care business can study.

Further, in March 2018 the Sompō Care Group unveiled the SOMPO Care FOOD LAB as a general organization tasked with conducting personnel training as well as the planning and development of food products with respect to diet and nutrition. Through this new organization, the Sompō Care Group aims to realize its basic management policy of creating tasty

food and helping people gain vitality.

The goal of the SOMPO Care FOOD LAB is to become a general R&D center for food. As such, it will propose new or improved menus based on the opinions and requests of those who receive nursing care as well as develop menus for different levels of chewing and swallowing capability. In addition, the lab will provide food and hygiene technical training that covers knowledge and preparation methods and which is tailored to specific professions, such as dietitians.

### VOICE



**Eriko Umekawa**

Sompō Care La vie Re Ayase  
Sompō Care Inc.

In December 2017, I joined the company without any experience of nursing care. Subsequently, I undertook training for new employees at SOMPO Care University. I attended training seminars in my first, third, and sixth month after entering the company. The training did not just cover the basics of nursing care; it involved learning about a wide range of fields, including dementia and pharmaceuticals. Before joining the company, I had learned about nursing care basics through training for newly appointed nursing care instructors. At SOMPO Care University, however, I acquired more practical skills that are useful when providing on-site nursing care because we trained using the recreated living room of a nursing care facility. My goal is to pass on to junior coworkers the skills and knowledge I have garnered through this training.

## Utilization of ICT and Digital Technologies

### Taking On the Challenge of Using AI at Nursing Care Facilities

As part of measures to enhance the quality of nursing care, the Sompō Care Group has begun examining the feasibility of utilizing AI. Specifically, we are considering the use of AI to assist nursing care managers in the preparation of nursing care plans for clients as well as to analyze whether nursing care personnel are employing proper techniques and to show personnel the correct techniques.

### Increasing Productivity through the Use of Robotic Process Automation

Nursing care providers carry out a lot of routine operations. Among these operations, some procedures only arise at certain periods, and employees have dealt with this by working overtime. Given that our introduction of robotic process automation for certain procedures has reduced work volumes, we plan to increase operational productivity further by using

robotic process automation for a wider range of tasks.

### Linking Expertise at Nursing Care Facilities with the Latest Technology Development

We host a business contest for start-ups in Japan and the United States. Our aim is to discover or conduct joint proving tests with start-ups globally—but with a focus on the United States—and thereby build an ecosystem for start-ups engaged in childcare or nursing care fields. Also, we are concentrating efforts on the development of technologies that enrich the day-to-day lives of senior citizens in collaboration with SOMPO Digital Lab, which is located in Tokyo, Silicon Valley, and Israel and supports the digital technology R&D of the Sompō Holdings Group's businesses.



Business contest



## Conversion of Japan's Issues into Opportunities

The Group will develop dementia-oriented products and services and strengthen its linkage with products that are focused on the senior citizen market by leveraging the expertise of external partners through industry-academia-government partnerships and by advancing collaboration among the Group's businesses. In addition, we will make maximum use of the know-how of the nursing care business as well as of feedback from more than 100,000 clients and personnel to roll out products and services in fields peripheral to the core nursing care business, including in the insurance field.



Joint research with the National Center for Geriatrics and Gerontology

### VOICE



**Atsuko Muraki**

Outside Audit &  
Supervisory Board Member

There is a tendency to view the aging of society as a tribulation. However, Lynda Gratton, coauthor of *The 100-Year Life: Living and Working in an Age of Longevity*, refers to it as a gift for Japan. To enable everyone to enjoy this gift, realizing healthy longevity, is indispensable.

In this regard, I have high expectations of the Sompo Holdings Group. I would like the Group to take advantage of the scale of its operations in the nursing care field to build model business schemes that provide high-quality, efficient care to those with dementia and which value nursing care personnel. Further, I want the Group as a whole to offer comprehensive "security, health, and wellbeing" for the elderly that encompasses insurance through to nursing care services and various types of healthcare services. Also, I would like the Group to accelerate the full-scale introduction of new technologies and to develop its businesses overseas.

I sincerely hope that the Group helps enrich the day-to-day lives of senior citizens in Japan, which has become a super-aging society, and in other countries with aging societies.

## 2

## Security and Wellbeing Stemming from Disaster Preparedness

### Telematics-Enabled Safe Driving Support Service and Safe Driving Discounts

To help customers drive safely and realize a safe, reliable motorized society, in March 2015 Sompo Japan Nipponkoa launched the insurance industry's first telematics-enabled safe driving support service for companies, Smiling Road. Using a telematics-based driving recorder, the system steadily enhances drivers' awareness of driving safety and helps managers provide guidance efficiently. Through the synergistic effects of the system's visualization of driving status and praise for good driving, the cumulative number of accidents at all companies using this service has decreased roughly 20%.

In January 2016, we introduced Portable Smiling Road, a safe driving car navigation app for individuals. The app provides free use of the advanced car navigation functions of NAVITIME JAPAN Co., Ltd., as well as of functions that we

are uniquely qualified to provide as an insurance company, such as safe driving assessments and one-touch accident notification. Already, more than a quarter of a million users have downloaded the app. In January 2018, we became Japan's first P&C insurance company to link driving assessments with discounted automobile insurance premiums. Mainly targeting customers enrolling in automobile insurance for the first time, we offer safe driving discounts of up to 20% based on assessments from Portable Smiling Road.



A Portable Smiling Road screenshot

### Use of Driving Recorders to Support Accident Responses and Safe Driving

In January 2018, Sompo Japan Nipponkoa introduced a service for individuals that is based on telematics and driving recorders, DRIVING! Living with a Car, as a rider for automo-

bile insurance.

Initially, as part of our digital technology-enabled safe driving support services, we provided a service that was free

for a limited period and for a limited number of vehicles. However, we received feedback from many users to the effect that the service heightened their awareness of driving safety and they wanted to continue using the service even if it was no longer free. In response, we revamped the service to enhance its capabilities and began offering it as a rider for automobile insurance, and many customers now use the new service. Through safe driving support, the service gives drivers peace of mind when they are driving, and when they are off the road

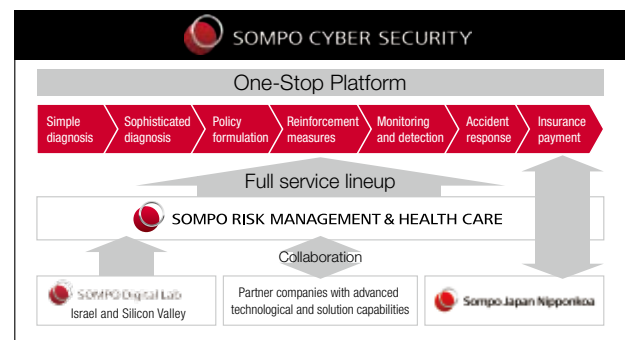
safe driving assessments and visual training enable them to maintain their driving skills. Also, if an accident occurs, the new service includes accident notification functions. Moreover, through a collaboration with SOHGO SECURITY SERVICES CO., LTD. (ALSOK), we are the first major P&C insurance company in Japan to offer accident-scene callout services. In this way, the new service provides all-around support that allows customers to drive safely and with peace of mind.

### Launch of a Cybersecurity Business Offering a One-Stop Platform

January 2018 saw the Sompo Holdings Group's first foray into the cybersecurity business. With changes in society's infrastructure and technology, such as the spread of self-driving technology for automobiles and the Internet of Things (IoT), and the emergence of increasingly sophisticated cyberattacks, cyber risks have become a significant factor in corporate management.

Through the underwriting of cyber insurance, the Sompo Holdings Group has collected information on the issues that companies face in relation to cyber risks. Based on this insight, we have built a one-stop platform that provides services covering risk assessments and security-strengthening measures through to insurance payments if accidents or issues occur. In preparation for the launch of this new business, we established a new SOMPO Digital Lab in Israel in

November 2017. Employing leading-edge technology to deal with increasingly sophisticated cyberattacks, we will support customers by focusing on providing a comprehensive menu of services that encompasses the establishment of preventive systems and countermeasures for impact minimization.



## 3 Support for Healthy Lifestyles and Lives

### Health Maintenance and Improvement Assistance through Linkx

With the aim of transforming into a health support enterprise, Sompo Japan Nipponkoa Himawari Life Insurance established the health service brand Linkx (pronounced "link cross") in September 2016. The concept of the brand is to help customers become healthier in enjoyable, relaxed environments. With this in mind, we are developing a business model that unites three components: innovative products, health-related services that utilize digital technologies, and sales channels. We have already launched a range of products and services under the brand, all of which have proven popular. Linkx coins (insurance covering advanced medical treatment with organ transplantation medical treatment benefits) is an online-only insurance product that focuses on covering conditions that place the greatest financial burden on the insured when undergoing treatment. Also, we offer services under the brand that are available to everyone, not just insurance policyholders. These include the Linkx siru health app, the Linkx aruku

walking app, and the Linkx reco dieting app.

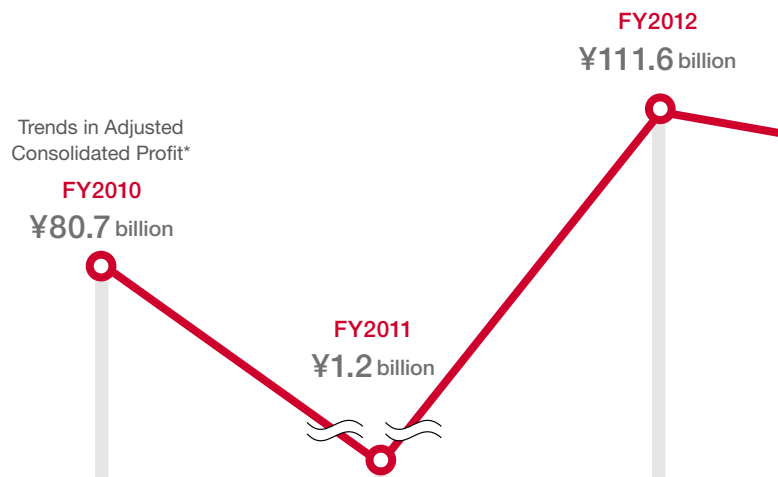
In response to feedback from female employees, in March 2018 we brought to market a new service, Linkx Pink, and in the following month we launched a renewed family income insurance product. Specifically designed for women, Linkx Pink gives complete breast cancer-related support that covers the early detection of breast cancer through to measures upon developing the disease. As well as information, the product provides a screening search and reservation service. The renewed family income insurance is the first product in the domestic insurance industry to incorporate a "Get☆Healthy Challenge!" program. This program lowers the premiums of customers who quit smoking or get healthier and provides them with a Get Healthy Bonus, equivalent to a reimbursement of the difference between the former and reduced premiums dating back to the time of policy enrollment.



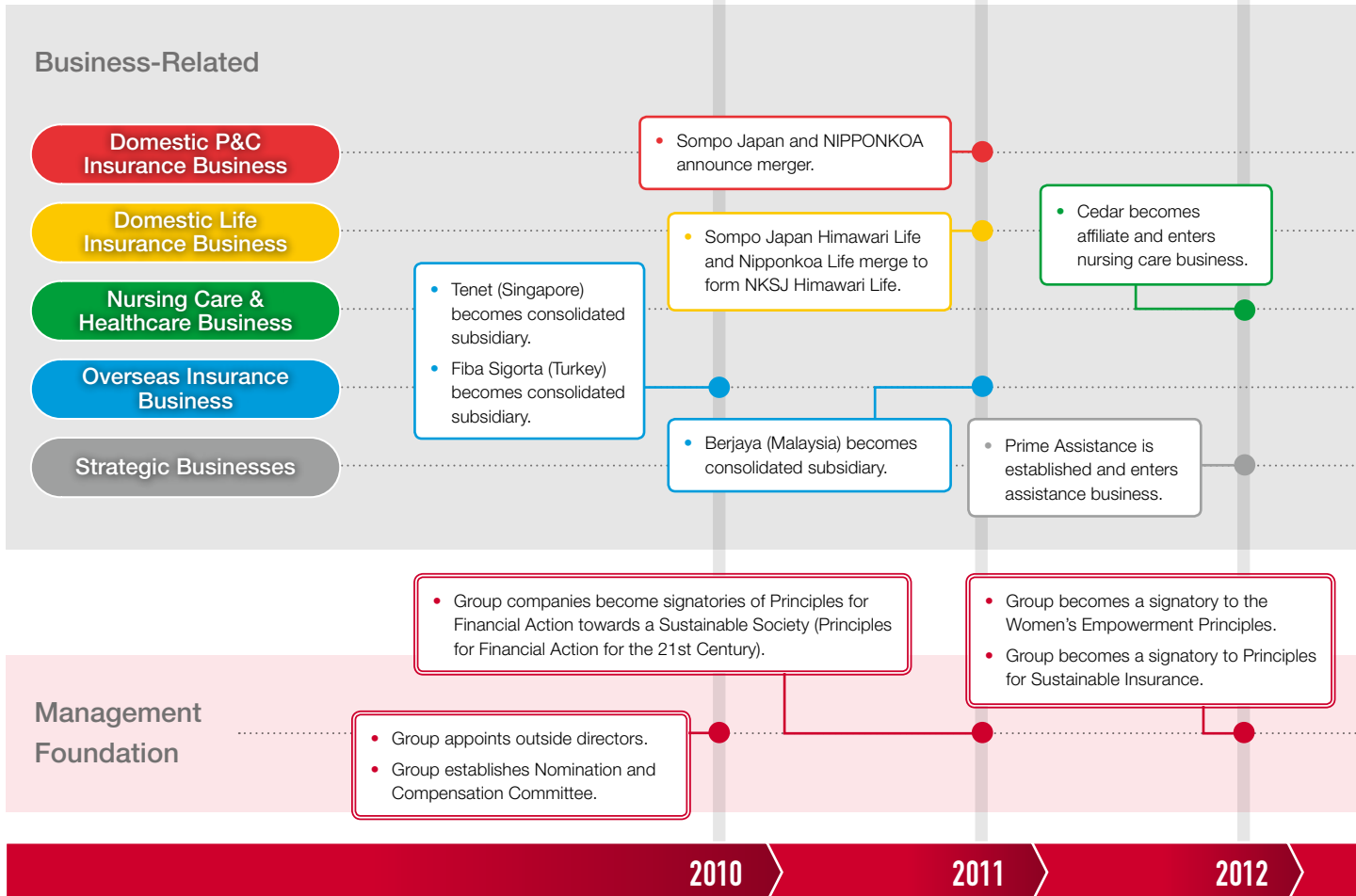
# Past and Present of the Sompo Holdings Group

# History

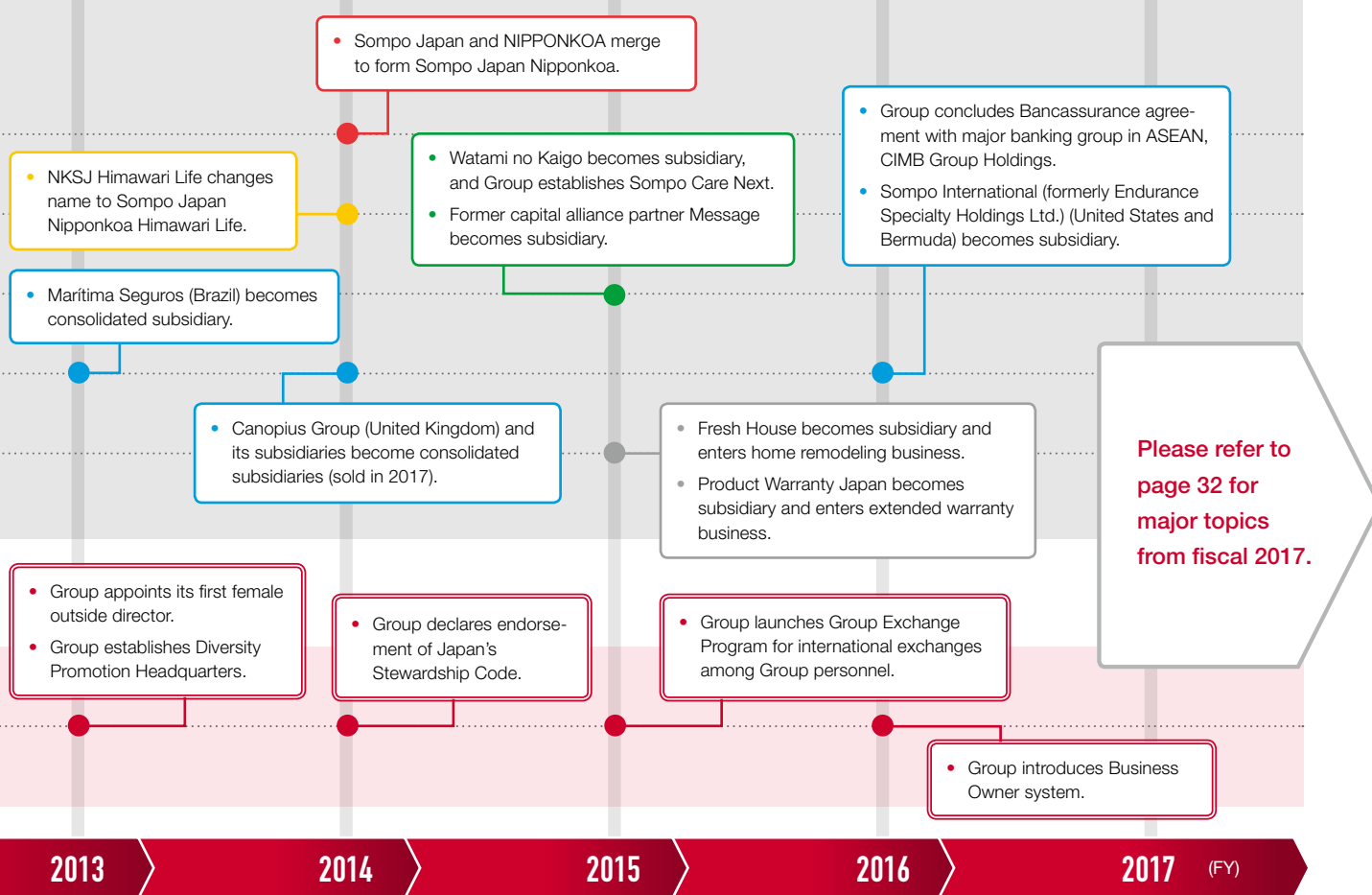
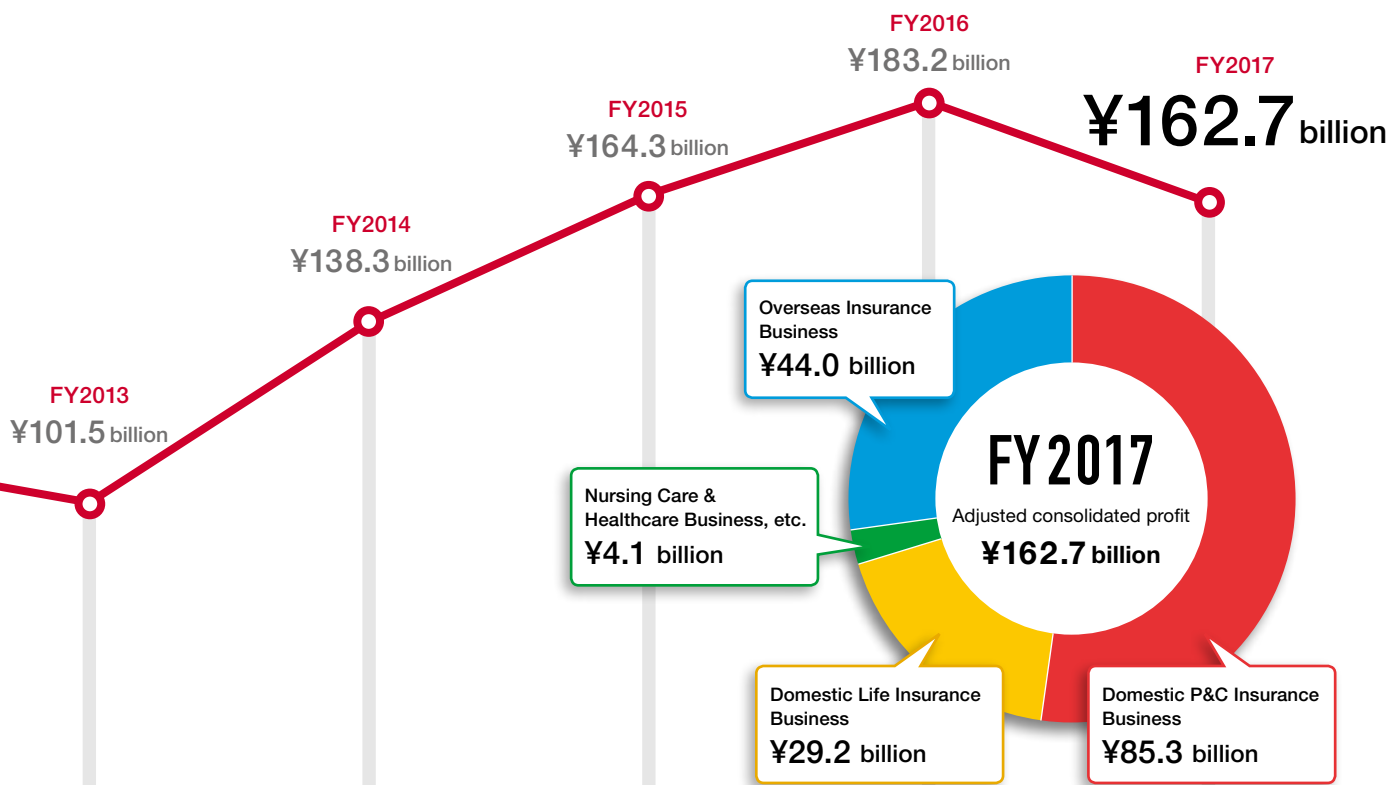
NKSJ Holdings, Inc. (currently Sompo Holdings, Inc.), was established in April 2010 through the management integration of Sompo Japan Insurance Inc. and NIPPONKOA Insurance Co., Ltd. This move was made in response to the changes seen in the operating environment at that time, including market contraction stemming from the advent of an aging society with a decreasing population and increased risks associated with global climate change. As the Sompo Holdings Group prepares to celebrate the 130th anniversary of its founding, it is developing its operations centered on the domestic P&C insurance business, domestic life insurance business, nursing care & healthcare business, and the overseas insurance business in order to continue its evolution into a “theme park for the security, health, and wellbeing of customers.”



\* For the definition of adjusted consolidated profit, please see page 35.  
 The figures for fiscal 2010 through fiscal 2014 are adjusted consolidated profit calculated based on the standards of the previous Mid-Term Management Plan.  
 (Reference)  
 Adjusted consolidated profit in fiscal 2015 calculated based on the standards of the previous Mid-Term Management Plan: ¥215.5 billion







Please refer to page 32 for major topics from fiscal 2017.

# Major Topics from Fiscal 2017

## Business-Related

Domestic P&C Insurance Business

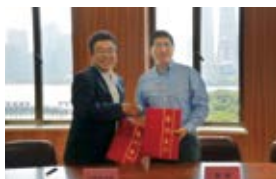
Domestic Life Insurance Business

Nursing Care & Healthcare Business

Overseas Insurance Business

### June Joint Development of Overseas Travel Insurance for Travelers Visiting Japan

Sompo Japan Nipponkoa Insurance (China) Co., Ltd., jointly developed an overseas travel insurance product with ZhongAn Online P&C Insurance Co., Ltd., China's largest purely Internet-based insurance company.



▶ See page 64 for more information.



### July Launch of All-in-One Package (Certification System Compliant) Insurance Product for Companies with Sharing Economy Certification

Sompo Japan Nipponkoa launched a product that offers comprehensive compensation for liability insurance, allowing for discounts of up to 60% off insurance premiums, for certified sharing economy platform operators.



### Aug. Release of *Kasha-Raku Mitsumori* Estimate Application for Reading Automobile Insurance Policies and Maintenance Vouchers

Sompo Japan Nipponkoa released the industry's first AI-powered insurance estimate smartphone application for reading automobile insurance policies and maintenance vouchers from photographs.

▶ See page 71 for more information.



### Sept. Start of Sign Language Accident Response Services for Automobile Insurance Policy Holders

Sompo Japan Nipponkoa started providing sign language support for automobile insurance policy holders when responding to accidents.

### Sept. Rollout of *Asu e no Chikara* Insurance Product Dedicated to Encouraging People Requiring Care to Improve their Wellbeing

Sompo Holdings Group and Aiaru Syougakutankihoken Corporation rolled out the first insurance product in Japan dedicated to encouraging people requiring care to improve their wellbeing.



### Sept. Launch of Cross-Border Accident Response Service in Mekong Region

Sompo Insurance (Thailand) Public Company Limited launched an accident response service that provides support to automobile insurance policyholders performing cross-border business activities in the Mekong region.

▶ See page 64 for more information.



2017 / 1Q

2Q

## Management-Related

### Apr. Introduction of a Group Chief Officer System

▶ See page 14 for more information.

### June Construction of Edge AI Center Group AI Factory

The Group constructed the insurance industry's first AI factory for enabling real-time analysis of data collected by Group companies so that it can be instantly utilized in management.

▶ See page 71 for more information.



### Sept. Conclusion of Comprehensive Partnership Agreement with the National Center for Geriatrics and Gerontology

The Group will promote research and personnel exchanges for the purpose of helping prevent dementia to contribute to the health of seniors.



▶ See page 25 for more information.



### Sept. Selection for Inclusion in DJSI World


▶ See page 39 for more information.



**Jan. Start of Safe Driving Discounts Linked to Smartphone Application**  
 Sompo Japan Nipponkoa began providing discounts to the premiums of automobile insurance policy holders based on the results of driving examinations.  
 ▶ See pages 27 and 46 for more information.

**Jan. Full-Fledged Deployment of DRIVING! Safe Driving Support Service for Individuals**  
 Sompo Japan Nipponkoa added accident site dispatch and other new offerings to the lineup of services provided through DRIVING!, a telematics service using driving monitors for individuals.  
 ▶ See page 28 for more information.

Security and Wellbeing Digital



**Mar. Opening of SOMPO Care FOOD LAB**  
 The Sompo Care Group opened an integrated facility for planning, product development, and employee education pertaining to food and nutrition.



▶ See page 26 for more information.

Health and Wellbeing Human Resources

**Feb. Deployment of AI-Powered Face-to-Face Sales Support System**  
 Sompo Japan Nipponkoa Himawari Life Insurance deployed the industry's first AI technology for analyzing customer responses and satisfaction levels in policy holder recruitment activities.  
 ▶ See page 52 for more information.

Human Resources Digital

**Mar. Acquisition of Italian Crop Insurance Specialist**  
 Sompo International acquired leading Italian crop insurance company A&A S.r.l., thereby expanding its crop insurance operations.  
 ▶ See page 59 for more information.

Security and Wellbeing

**Apr. Commencement of Sales of Linkx aruku Jibun to Kazoku no Omamori Income Compensation Insurance for Supporting Health**  
 Sompo Japan Nipponkoa Himawari Life Insurance launched the industry's first health support product.  
 ▶ See pages 28 and 52 for more information.




Health and Wellbeing

3Q 4Q 2018/1Q

**Oct. Creation of Global Platform**  
 Sompo International restructured its organization and created a global platform.  
 ▶ See page 58 for more information.

**Oct. Selection in CDP Climate A List**  
 ▶ See page 39 for more information.



**Nov. Announcement of Entry into Cybersecurity Business**  
 The Group announced the establishment of a SOMPO Digital Lab along with our entry into the cybersecurity business.  
 ▶ See page 28 for more information.

Security and Wellbeing Digital

**Feb. Receipt of RobecoSAM Bronze Class Award in Corporate Sustainability Assessment**  
 ▶ See page 39 for more information.



**Feb. Recognition of Six Group Companies as "2018 Outstanding Enterprises Engaging in Efforts for Health and Productivity Management" (White 500)**



**Mar. Conclusion of Comprehensive Partnership Agreement with Institute for Advanced Biosciences of Keio University in Advanced Science Technology Field**  
 The Group established Sompo Japan Nipponkoa Business Lab Tsuruoka.  
 ▶ See page 46 for more information.

Health and Wellbeing Human Resources

**Mar. Announcement of Merger of SAISON AUTOMOBILE AND FIRE INSURANCE COMPANY, LIMITED, and Sonpo 24 Insurance Company Limited**  
 ▶ See page 49 for more information.

# Financial Highlights

## Consolidated Financial Indicators for Sampo Holdings

	FY2010	FY2011	FY2012	FY2013	FY2014
<b>Key Figures</b>					
Ordinary Income	2,621,689	2,790,555	2,843,226	3,008,339	3,282,343
Net Premiums Written (P&C Insurance)	1,933,283	1,973,777	2,062,606	2,268,967	2,508,031
Life Insurance Premiums	238,178	250,193	264,732	277,230	277,208
Ordinary Profit	(6,437)	(51,815)	104,783	112,391	208,309
Net Income Attributable to Shareholders of the Parent	(12,918)	(92,262)	43,618	44,169	54,276
Comprehensive Income	(143,120)	(48,098)	319,047	149,965	469,485
<b>Per Share Information</b> (Yen, dollar)					
Net Income	(31.11)	(222.30)	105.10	106.98	132.85
Dividends	80.0	80.0	60.0	60.0	70.0
(Of which, Interim)	—	—	—	30.0	30.0
Diluted Net Income	—	—	104.87	106.77	132.61
<b>Financial Condition</b> (Millions of yen)					
Total Net Assets	1,079,446	1,000,577	1,283,488	1,390,153	1,829,852
Total Assets	8,981,974	8,893,378	9,178,198	9,499,799	10,253,431
Equity Ratio (%)	12.0	11.2	13.9	14.5	17.8
Consolidated Solvency Margin Ratio (%)	—	549.8	688.3	783.1	803.4
<b>Stock Information</b> (Shares)					
Number of Shares Outstanding (Excluding Treasury Stock)	415,106,429	414,825,205	414,726,157	411,284,208	408,037,848
<b>Adjusted Financial Indicators</b>					
Adjusted Consolidated Profit (Billions of yen)	807	12	1,116	1,015	1,383
Adjusted Consolidated ROE (%)	4.2	0.1	5.4	4.3	5.2

- Notes: 1. Sampo Holdings carried out a reverse split of stocks to combine common stocks at a ratio of four shares to one share on October 1, 2011. Net income per share, dividends per share, and number of shares outstanding (excluding treasury stock) are calculated based on the assumption that the reverse split of stocks was executed at the beginning of fiscal 2010.
2. Reflecting amendments to the "Accounting Standard for Business Combinations," etc., since fiscal 2015 the presentation of "net income" has been amended to "net income attributable to shareholders of the parent."
3. From the end of fiscal 2011, the consolidated solvency margin ratio as the standard of consolidated financial soundness has been calculated in accordance with the related laws and regulations, including the Ordinance for Enforcement of the Insurance Business Act, revised on March 31, 2011. Above, the figures for fiscal 2012 and before and the figures for fiscal 2013 and after are calculated on a different basis, reflecting the law revision concerning the standards for the calculation of the solvency margin ratio that was enforced at the end of fiscal 2013. Figures are not presented for fiscal 2010.
4. Diluted net income per share for fiscal 2010 and fiscal 2011 is not shown due to the recording of net loss per share.
5. Since fiscal 2016, the definition of adjusted consolidated profit has been changed. (Fiscal 2015 figures have been recalculated and presented based on new standards.)
6. U.S. dollar amounts are translated from yen at the rate of ¥106.24 = U.S.\$1.00, the approximate rate prevailing at March 31, 2018.

### Adjusted Financial Indicators

Adjusted consolidated profit is a profit indicator that is meant to more accurately reflect business results and is calculated by adjusting consolidated net income based on JGAAP for catastrophic loss reserve and other items. This indicator is used to determine shareholder returns.



### Definition of Adjusted Consolidated Profit, Adjusted Consolidated ROE, etc. (Fiscal 2016 and After)

	Millions of yen			Millions of U.S. dollar
	FY2015	FY2016	FY2017	FY2017
	3,256,186	3,419,530	3,770,052	35,486
	2,552,193	2,550,336	2,854,755	26,870
	297,696	323,860	346,998	3,266
	216,853	241,713	141,890	1,335
	159,581	166,402	139,817	1,316
	(116,689)	226,949	177,754	1,673
	394.21	419.15	361.39	3.40
	80.0	90.0	110.0	1.03
	40.0	40.0	55.0	0.51
	393.66	418.71	361.09	3.39
	1,652,839	1,868,940	1,916,210	18,036
	10,186,746	11,931,135	11,948,323	112,465
	16.1	15.1	15.8	—
	851.4	748.9	862.5	—
	404,162,514	393,398,576	380,579,944	—
	1,643	1,832	1,627	1,531
	6.9	7.6	6.4	—

		Calculation method
Adjusted profit for each business	Domestic P&C insurance*1	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 (e.g., dividend from subsidiaries)
	Domestic life insurance	Net income + Provision of contingency reserve (after tax) + Provision of reserve for price fluctuation (after tax) + Adjustment of underwriting reserve (after tax) + Deferral of acquisition cost (after tax) – Depreciation of acquisition cost (after tax)
	Nursing care & healthcare, etc.*2	Net income
	Overseas insurance	Net income (including major non-consolidated subsidiaries) Operating income is used for Sompo International Holdings.*3
Adjusted consolidated profit	Total of above adjusted profits	
Adjusted consolidated net assets	Consolidated net assets (excluding life insurance subsidiary's net assets) + Catastrophic loss reserve in domestic P&C insurance (after tax) + Reserve for price fluctuation in domestic P&C insurance (after tax) + Domestic life insurance adjusted net assets*4	
Adjusted consolidated ROE	Adjusted consolidated profit/Adjusted consolidated net assets Note: The denominator is the average balance at the end/start of each fiscal year.	

\*1 The total of Sompo Japan Nipponkoa Insurance Inc.; SAISON AUTOMOBILE AND FIRE INSURANCE COMPANY, LIMITED; Sompo 24 Insurance Company Limited; Sompo Japan Nipponkoa Insurance Services Inc.; Sompo Japan Nipponkoa DC Securities Inc.; and Sompo Risk Management & Health Care Inc. (for fiscal 2017 and after)

\*2 The total of Sompo Care Inc. (the former Sompo Care Message Inc. and Sompo Care Next Inc.); Cedar Co., Ltd.; Sompo Japan Nipponkoa Asset Management Co., Ltd.; Prime Assistance Inc.; Sompo Warranty Inc.; and FRESHHOUSE Co., Ltd.

\*3 The adjusted profit of Sompo International is defined as operating income net of fluctuating, one-time factors (Operating income = Net income – Net foreign exchange gains/losses – Net realized and unrealized gains/losses on sales of securities as well as impairment losses/valuation gains on securities – Net impairment losses recognized in earnings, etc.).

\*4 Domestic life insurance adjusted net assets = Net assets (JGAAP, after tax) + Contingency reserve (after tax) + Reserve for price fluctuation (after tax) + Adjustment of underwriting reserve (after tax) + Non-depreciated acquisition cost (after tax)

### Rating Information

(As of June 15, 2018)

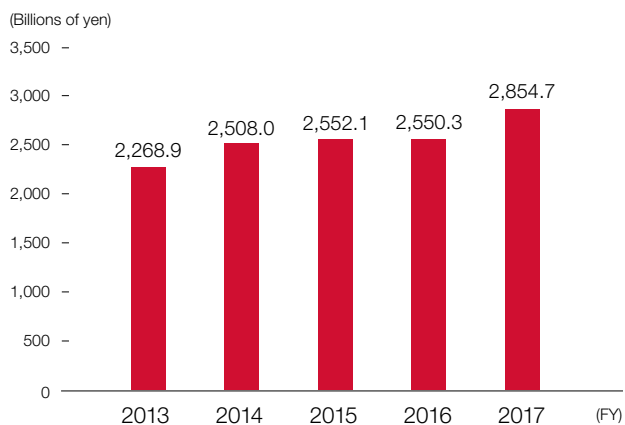
Rating agency	Object	Sompo Holdings	Sompo Japan Nipponkoa	Sompo Japan Nipponkoa Himawari Life	SAISON AUTOMOBILE & FIRE	Sompo International Holdings Ltd.'s Main Subsidiaries*
S&P	Financial Strength Rating	—	A+	A+	—	A+
Moody's	Insurance Financial Strength Rating	—	A1	—	—	A1
Rating and Investment Information, Inc. (R&I)	Issuer Rating	—	AA	—	—	—
	Insurance Claims Paying Ability	—	—	AA	—	—
Japan Credit Rating Agency, Ltd. (JCR)	Ability to Pay Insurance Claims Rating	—	AA+	—	AA	—
A.M.Best	Financial Strength Ratings	—	A+	—	—	A+

\* For more information, please refer to the following website.  
[https://www.sompo-intl.com/about\\_us/financial\\_highlights/financial\\_ratings](https://www.sompo-intl.com/about_us/financial_highlights/financial_ratings)

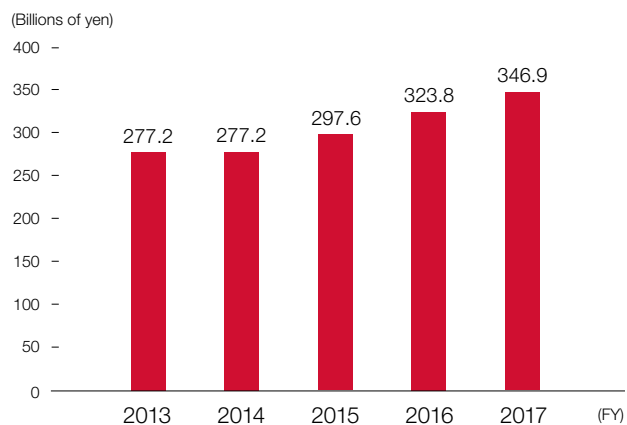
## Financial Highlights

### Steady Growth in Net Premiums Written

#### Net Premiums Written (P&C Insurance)



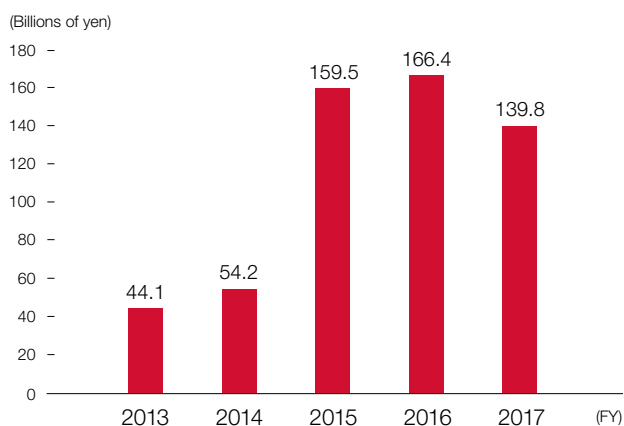
#### Life Insurance Premiums



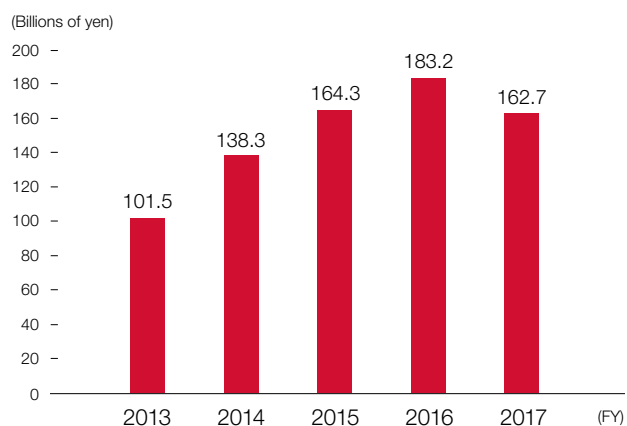
Net premiums written grew substantially in fiscal 2017 mainly due to the consolidation of Sompo International Holdings in the overseas insurance business, an increase in the number of voluntary automobile insurance policies, and strong sales of products to small and medium-sized enterprises in other lines in the domestic P&C insurance business. Life insurance premiums written also grew steadily due to an increase in policies in force.

### Increase of More Than 50% in Adjusted Consolidated Profit over Past Five Years

#### Net Income Attributable to Shareholders of the Parent



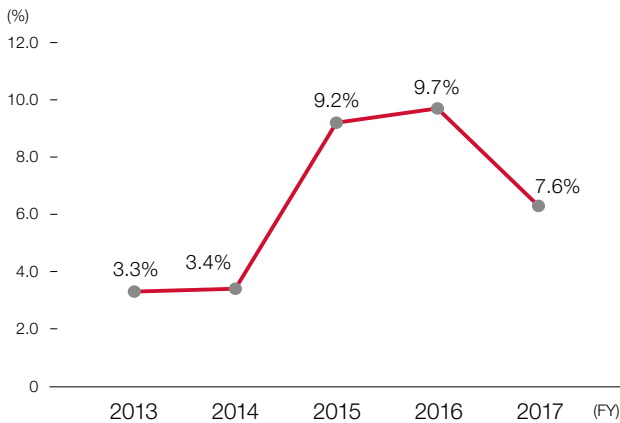
#### Adjusted Consolidated Profit



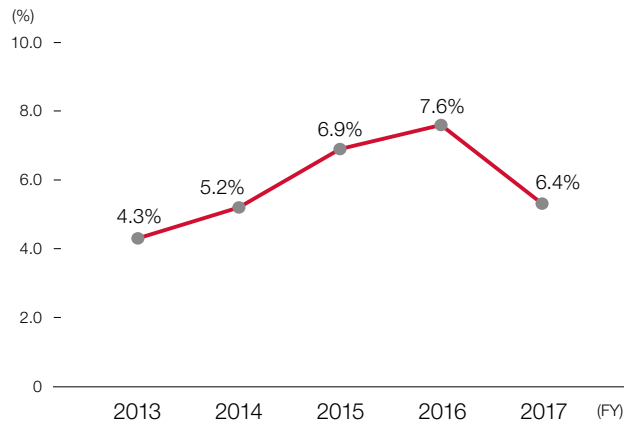
Net income decreased in fiscal 2017 mainly due to the impact of the hurricanes in North America, while net income excluding these factors grew steadily. Adjusted consolidated profit, which is used as funds for shareholder returns, was ¥162.7 billion in fiscal 2017.

## Medium-Term Improvement Trend in Capital Efficiency

### Consolidated ROE (JGAAP)



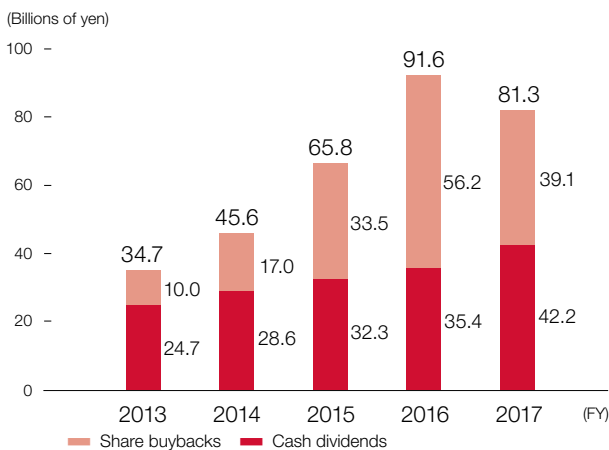
### Adjusted Consolidated ROE



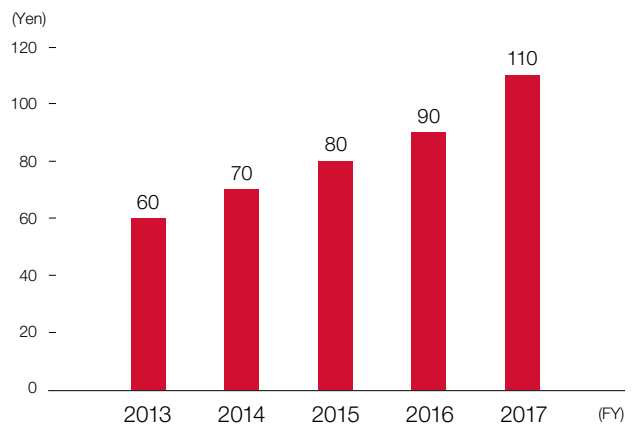
In fiscal 2017, adjusted consolidated ROE fell to 6.4% mainly due to the impact of hurricanes in the North America. Our capital efficiency has been improving mainly due to stable profit growth as well as to the ongoing reduction in strategic-holding stocks and the enhancement of shareholder returns through share buybacks. These efforts will be continued going forward with the aim of achieving adjusted consolidated ROE of more than 8%.

## Total Payout Ratio of 50% since Fiscal 2014

### Shareholder Returns



### Dividends per Share



The target level for the total payout ratio is around 50% over the medium term, and we have proceeded to issue highly transparent shareholder returns with a total payout ratio of 50% for four consecutive years beginning in fiscal 2014. In fiscal 2018, we expect to raise dividend payments for the fifth consecutive year mainly due to the record-high profit forecast.

# Non-Financial Highlights (ESG Initiatives)

Based on its Group CSR Vision, the Sampo Holdings Group strives to address social issues and create new value as part of the process of its transformation into a “theme park for the security, health, and wellbeing of customers” and to thereby help realize a resilient, sustainable society together with growth for the Group.

## Group CSR Vision

We, the Sampo Holdings Group, will positively engage our stakeholders in forward-looking dialogue, respect international standards and codes of conduct, and address environmental issues of climate change, biodiversity, and social issues of human rights and diversity in the course of our business operations in a transparent, fair, and open manner.

By constantly maintaining a long-term outlook, and by providing services and products that contribute to security, health, and wellbeing, we will strive as a solution provider to promote the realization of a resilient and sustainable society.

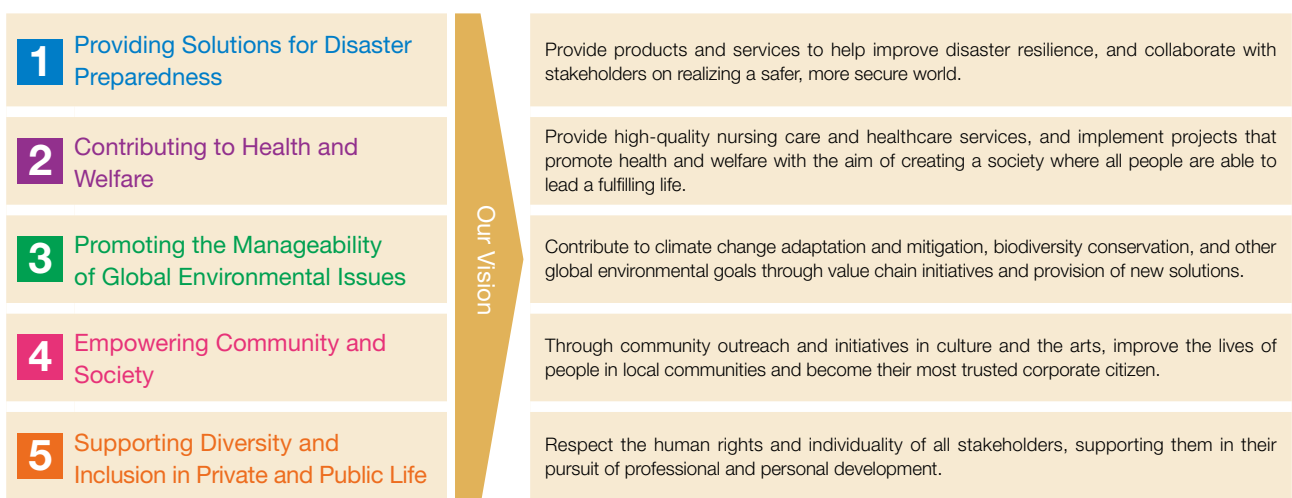
## Five CSR Material Issues

In April 2016, based upon the Group CSR Vision, the Sampo Holdings Group established the following Three Key Strengths to advance its CSR initiatives. Furthermore, the Group redefined its Five CSR Material Issues based on the latest developments and changes in its business environment, most notably the adoption of the United Nations Sustainable Development Goals (SDGs) at the 2015 UN summit and the Paris Agreement at the 2015 United Nations Climate Change Conference, to realize a resilient and sustainable society by providing products and services that contribute to security, health, and wellbeing.

### Our Key Strengths

- 1 Developing and providing innovative products and services using financial expertise and digital technologies to provide innovative solutions for social issues.
- 2 Promoting the development of advanced human skills by fostering partnerships with stakeholders representative of broad sectors of civil society.
- 3 Promoting the quality of life and its enrichment by the application throughout all our operations of our expertise and resources in the arts and culture.

### Five Material Issues





## External Recognition of Our ESG Efforts

### Inclusion in Socially Responsible Investment (SRI) Indices

From an early stage, we have been actively involved in ESG, and our initiatives have been recognized by various organizations globally. The following outlines our major recent recognitions and awards (as of July 1, 2018).

#### Dow Jones Sustainability Indices (DJSI World)

DJSI World is a leading global SRI index of companies that are leaders in sustainability, as assessed from their approach toward environmental, social, and governance (ESG) issues. This is the eighth consecutive year for Sampo Holdings to be included in the index and the 18th consecutive year for Sampo Japan Nipponkoa Insurance.



#### Corporate Sustainability Assessment by RobecoSAM

We were awarded the RobecoSAM Bronze Class Award in 2018, listed from among the companies that are included in the DJSI survey. We have been listed for this award for the eighth consecutive year, and for the 11th consecutive year when including the years Sampo Japan Nipponkoa Inc. was listed.



#### CDP Climate Change Survey

We were included in A-List, the highest ranking among financial institutions, in the CDP Climate Change survey. The CDP is a collaborative initiative by the world's leading institutional investors to encourage businesses worldwide to adopt climate change strategies and disclose their GHG emissions.



#### FTSE4Good Index Series

The FTSE4Good Index Series is a group of SRI indexes that evaluate the performances of companies meeting globally recognized corporate responsibility standards in relation to ESG.



#### FTSE Blossom Japan Index

Created by the global index provider FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company), the FTSE Blossom Japan Index is designed to measure the performance of companies demonstrating strong environmental, social, and governance (ESG) practices. The FTSE Blossom Japan Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.



#### MSCI ESG Leaders Indexes and MSCI SRI Indexes

These indexes comprise companies from various industries that have earned high evaluations in relation to ESG.



#### ECPI Global Developed ESG Best-in-Class Equity Index

ECPI Global Developed ESG Best-in-Class Equity Index comprises stocks with high ESG evaluations.



#### The Morningstar Socially Responsible Investment Index

The Morningstar Socially Responsible Investment Index was developed as Japan's first socially responsible investment index comprising Japanese companies.



## SDGs Integration into Management and Business

The SDGs emphasize the importance of the role of businesses. The Group Management Philosophy and our management strategies share a common thread with the SDGs. We therefore plan to propel the Group forward in its growth by engaging in various activities for contributing to the achievement of the SDGs.



## Stakeholder Engagement toward Achieving the SDGs

Various important stakeholders have a large influence on the business activities of the Group. We recognize the importance of understanding social issues through communication with stakeholders as well as of building relationships based on trust and collaboration with them in order to achieve greater results. We thus place emphasis on stakeholder engagement.



The 17th SDG is to "strengthen the means of implementation and revitalize the global partnership for sustainable development," and is a key for promoting our initiative.

A variety of international and domestic initiatives are forming partnerships to contribute to the achievement of the SDGs. The Group actively participates in various initiatives, making an effort to play a leading role in achieving the SDGs.



### TOPICS

#### Revision of the Keidanren Charter of Corporate Behavior—Japanese Business Sphere Initiative Aimed at Achievement the SDGs

Keidanren (Japan Business Federation) is advocating contributions to the accomplishment of the SDGs through the realization of Society 5.0, a vision for an ultrasmart, human-oriented society, leading it to revise the Charter of Corporate Behavior and its implementation guidelines in 2017. Masao Seki, Senior Advisor on Corporate Social Responsibility Department of core Group company Sompo Japan Nipponkoa Insurance Inc., played a leadership role in this revision as the chair of the revision task force.

More than ever, attention is being turned to the role of companies, which have the power to transform society through their businesses, in contributing to the realization of the inclusive and sustainable future so desired by the world. As such, companies are now expected to incorporate the SDGs into their business strategies from a long-term perspective based not only on an understanding of the 17 SDGs but also on the fundamental principles of respect for human rights that lie at the core of these goals. The Sompo Holdings Group is fully aware of the significance of the revision to the Charter of Corporate Behavior, and it stands committed to accelerating its efforts for accomplishing the SDGs.



Masao Seki

Chair of Task Force on Keidanren's Charter of Corporate Behavior Committee on Corporate Behavior & Social Responsibility Keidanren

Senior Advisor  
Corporate Social Responsibility Department  
Sompo Japan Nipponkoa Insurance Inc.

Professor  
School of Business Administration  
Meiji University

## Progress of Initiatives Related to Material Issues — Contributions to Accomplishment of SDGs

The Sompo Holdings Group has established CSR key performance indicators (CSR-KPIs) based on the Five CSR Material Issues to quantify the progress of initiatives related to these issues. We thereby strive to resolve various social issues, believing that these efforts will contribute to the accomplishment of the SDGs.

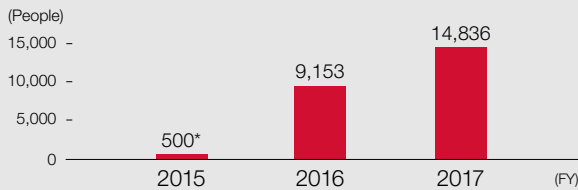
Material Issue  
1

### Providing Solutions for Disaster Preparedness



The Group analyzes huge volumes of accident data (big data) it has accumulated over the years to develop new products and services that contribute to disaster preparedness. In addition, our expertise of risk quantification is utilized to formulate measures for preventing accidents and reducing the damage caused by natural disasters. We also promote disaster preparedness education to improve awareness as many people as possible with accurate disaster preparedness knowledge. Our goal through these efforts is to help combat disasters while reducing the occurrence of secondary disasters.

#### Participants in Disaster Preparedness Activities Conducted in Collaboration with NPOs and NGOs



\* The fiscal 2015 figure only includes activities from January–March 2016.



The Bosai JAPAN-DA Project is a workshop designed to help children and their parents learn the knowledge and safety precautions necessary to protect themselves and the people around them from disasters. This program received the Judging Committee's Special Award in the 2017 Award for Companies Promoting Experience-based Learning Activities for the Youth sponsored by the Ministry of Education, Culture, Sports, Science and Technology.

▶ Please refer to page 27 for information on products and services for helping improve disaster preparedness.

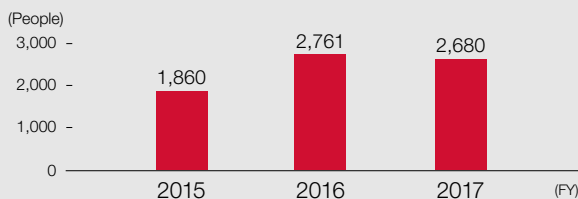
Material Issue  
2

### Contributing to Health and Welfare



With a view to realizing its vision of “Japan, an affluent country that can boast to the world of a long and quality life,” the Sompo Holdings Group is working to become the most trusted provider of nursing care services in Japan based on consideration of the various risks that might threaten an aging population. To this end, we will swiftly cultivate a brand founded on security, health, and wellbeing through the provision of nursing care services of impeccable quality. Moreover, we seek to help people remain healthier for longer. Accordingly, we provide employee assistance programs, lifestyle disease prevention support, and other support services to contribute to the security, health, and wellbeing of customers.

#### Participants in Health and Welfare Education Programs



Note: Total number of participants comprises Group employees and agency employees



The Group holds programs for training people to support individuals with dementia, which is on the rise as the population ages. These programs offer participants accurate information with regard to this condition to endow them with the skills necessary to offer proper support to individuals suffering from this condition. We hope that these programs will contribute to our business as well as to society.

▶ Please refer to pages 25 and 54 for information on the nursing care & healthcare business.

Material Issue  
**3**

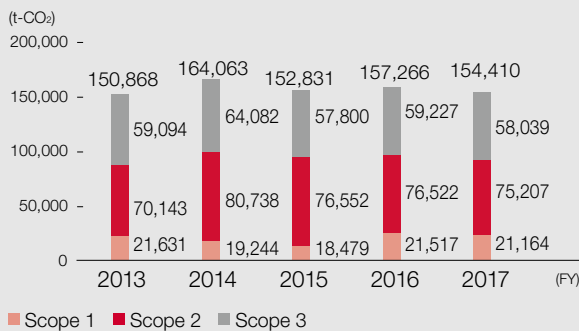
**Promoting the Manageability of Global Environmental Issues**



Rather than simply viewing climate change and other global environmental issues as risks, the Sampo Holdings Group goes a step forward to provide various solutions for addressing these issues. Examples of these solutions include insurance products and risk consulting services that cover the risks associated with meteorological disasters and renewable energy operations. We also seek to provide products and services that respond to and help alleviate climate change, contribute to the preservation of biodiversity, and promote eco-conscious action. At the same time, we are working together with stakeholders throughout all areas of our business, from upstream areas to downstream areas, to take the initiative in reducing environmental impacts across the value chain. In these ways, the Group is approaching global environmental issues as opportunities to create and grow new markets.

Another area of focus is promoting the resolution of global environmental issues. To this end, we carry out environmental preservation activities and provide opportunities for environmental education to raise interest in and awareness of the environment and thereby increase the number of individuals capable of exercising autonomy in addressing such issues. The Group also collaborates with research and government institutions to conduct research on global environmental issues and transmit the results throughout society.

**Greenhouse Gas Emissions (Scope 1–3)**



Note: Figures are the total of Scope 1 (direct emissions due to use of gasoline, etc.), Scope 2 (indirect emissions from electricity and other energy sources), and Scope 3 (indirect emissions across entire value chains, including transport and business trips). Since fiscal 2012, the Group has been received an annual Assurance Statement by a third-party certification organization in relation to greenhouse gas emissions. The coverage of the survey is as follows. Fiscal 2013 and fiscal 2014: Sampo Japan Insurance Inc. (including consolidated subsidiaries) and NIPPONKOA Insurance Company, Limited (including consolidated subsidiaries) Fiscal 2015: Sampo Holdings, Inc., and main consolidated subsidiaries and operating companies Fiscal 2016–fiscal 2017: Sampo Holdings, Inc., and main consolidated subsidiaries.

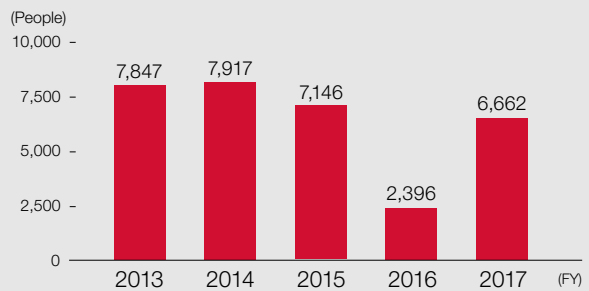


We held a dialogue with members of a local community for developing a product in response to climate change.



The SAVE JAPAN Project, a program for preserving scarce species in Japan, received the Chairman's Award of Ecological Life and Culture Organization 2017.

**Human Resource Development in Environmental Field**



Note: Total number of people who participated in the SAVE JAPAN Project, a program for preserving scarce species in Japan; Public Seminars on the Environment; and the CSO Learning Scholarship Program, which provides an internship program for university and graduate program students in environmental NPOs and NGOs

Material Issue  
4

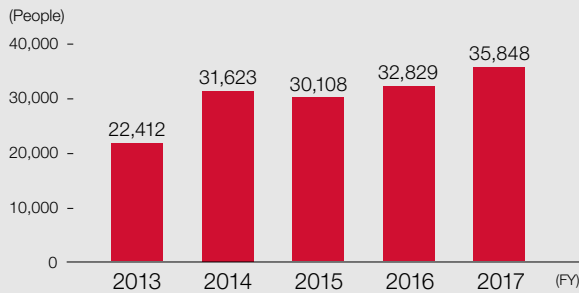
## Empowering Communities and Society



The Sampo Holdings Group sees empowering communities and society as an important corporate responsibility to be fulfilled by identifying social issues through communication with communities and society by the Group and by individual employees. In collaboration with NPOs, NGOs, and various other stakeholders, we take part in various initiatives for fulfilling this responsibility. At the same time, frameworks have been put in place to support all employees in utilizing the skills cultivated through their work to participate in activities for addressing social issues.

We believe that active involvement in the resolution of social issues will help employees grow to be more keenly aware of social issues and thereby facilitate future efforts to address social issues on both a local and global scale. Moreover, we hope that our efforts to contribute to the realization of a sustainable society through the resolution of community and social issues will in turn enable the Sampo Holdings Group to earn greater trust from society while improving its brand value.

### Employees Participating in Social Contribution Activities



Note: Total number of Group employees and agency employees



Held every year, Sampo Holdings Volunteer Days is a time for employees to take part in volunteer activities.

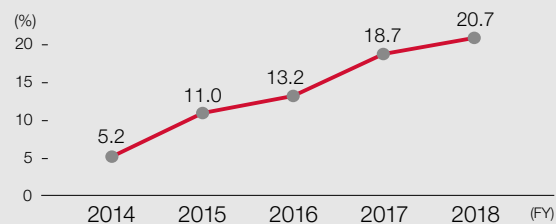
Material Issue  
5

## Supporting Diversity and Inclusion in Private and Public Life



Guided by its slogan of “Diversity for Growth,” which signifies our commitment to transforming diversity into strength and subsequently growth, the Sampo Holdings Group utilizes diversity to drive growth and to develop new products and services based on diverse values. We are also committed to respect for basic human rights, not just those of our employees but also those of our customers and various other stakeholders, and we promote diversity through products and services as well as through education.

### Ratio of Female Employees in Managerial Positions



Note: Figures for overseas consolidated subsidiaries are as of December 31 of the respective fiscal year. Figures for domestic operating companies are as of April 1 of the respective fiscal year.



SOMPO KIDS PARK daycare facilities have been established at the Company in order to create a workplace environment that is accommodating to employees with small children.

▶ Please refer to page 68 for information on human resource strategy.

Please refer to the CSR section of Sampo Holdings' corporate website for information on ESG initiatives.  
<https://www.sampo-hd.com/en/csr/>



# Domestic P&C Insurance Business



**Keiji Nishizawa**

Domestic P&C Insurance Business Owner  
Director  
(Representative Director,  
President and Chief Executive Officer,  
Sompo Japan Nipponkoa Insurance Inc.)

The domestic P&C insurance business meets a variety of customer needs through its P&C insurance operations. Sompo Japan Nipponkoa Insurance Inc., which was established in 1888 as Japan's first fire insurance company, primarily sells insurance through agencies as the core company in this business. SAISON AUTOMOBILE AND FIRE INSURANCE COMPANY, LIMITED, meanwhile, is responsible for direct sales. Furthermore, Sompo Japan Nipponkoa DC Securities Inc. provides defined contribution pension fund management services, and Sompo Risk Management & Health Care Inc. provides risk solution services, and the Group can provide products and services of the highest quality that leverage the specialization of each Group company.

## Basic Strategies and Background

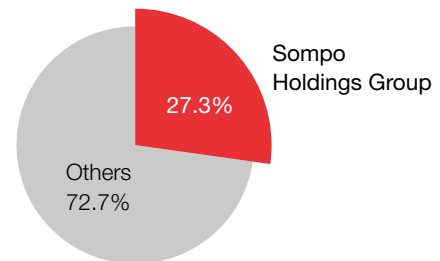
In the domestic P&C insurance business, we seek to become the most highly evaluated P&C insurance company by making decisions thoroughly from customers' perspectives and realizing growth in accordance with quality through massive improvements to business efficiency.

The Sompo Holdings Group boasts a roughly 30% share of the domestic P&C insurance market, which is showing steady growth in premiums despite the declining population in Japan. However, the environment of this market is expected to undergo dramatic changes over the medium-to-long term. Factors behind this transformation will include demographic changes, the increasing frequency of large-scale natural disasters, and the exponential evolution of technology and accompanying changes in customer tastes and behavior.

Even in these changing times, we will contribute to society by providing the highest-quality products and services that support Japanese companies that act globally and help people's safety, health, and wellbeing.

### Share of Domestic P&C Insurance Market

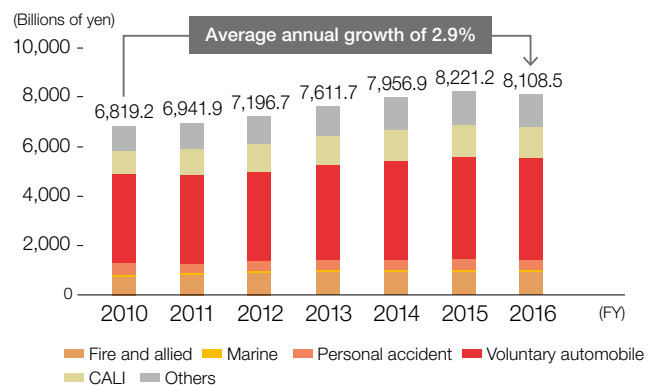
▶ **Approx. 30% share boasted by the Sompo Holdings Group**



Note: Based on net premiums of P&C insurers in Japan from fiscal 2016  
Source: Insurance, Hoken Kenkyujo

### Trend in Premiums in the Japanese P&C Insurance Market

▶ **Steady growth in premiums**



Notes 1. Based on total of various types of premiums  
2. Based on net premiums of P&C insurers in Japan excluding reinsurance companies

Source: *Sigma Report*, Swiss Re; Insurance, Hoken Kenkyujo

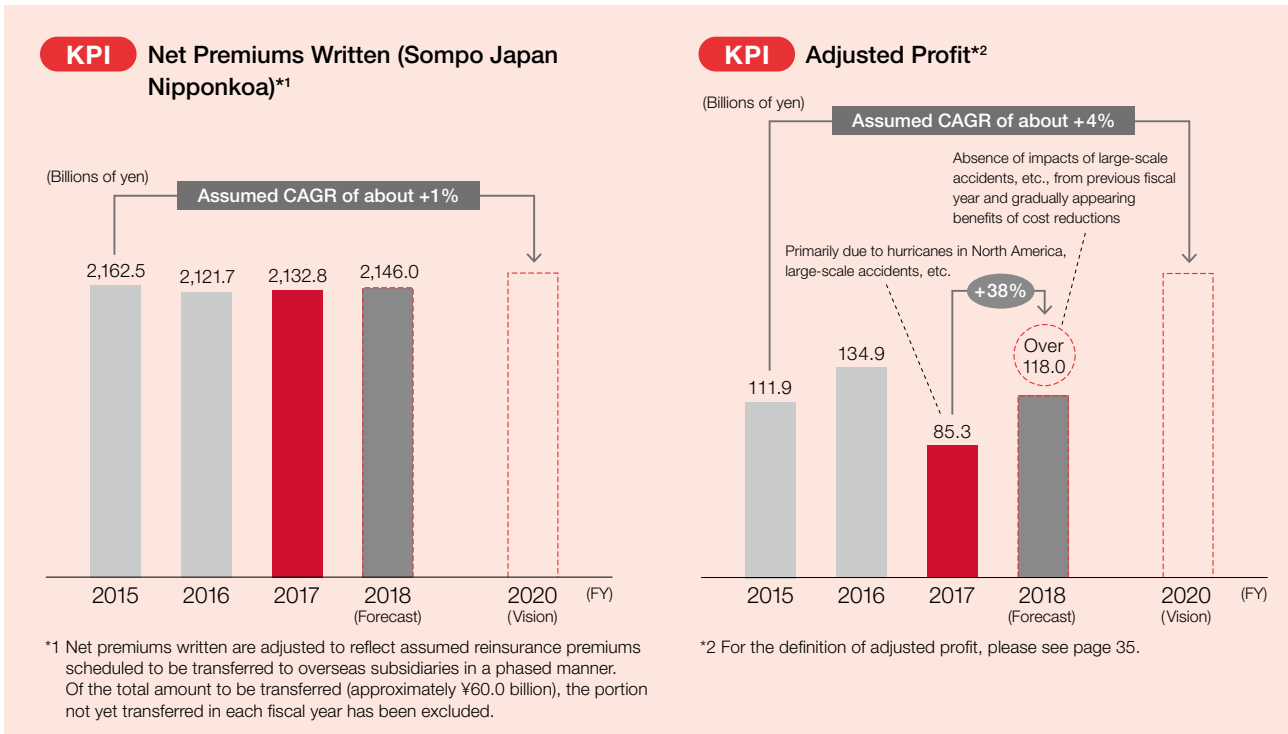
## ■ Progress of the Mid-Term Management Plan

Adjusted profit in the domestic P&C insurance business accounts for about 50% of the Group's adjusted profit (fiscal 2017). Going forward, we aim for this business, which is the largest business segment, to contribute to the Group's growth. In fiscal 2017, the second year of the Mid-Term Management Plan, adjusted profit fell below our target due to the higher-than-average frequency of natural disasters in Japan, the hurricanes that struck North America, and an increase in large-scale accidents.

In fiscal 2018, we expect that adjusted profit will come to over ¥118.0 billion, in line with the forecasts disclosed in

November 2016. In addition to the absence of last year's large-scale accidents and the return to normal levels of natural disasters in Japan, we also plan to move ahead with reductions to business expenses.

As the Group's largest business segment, we will not limit ourselves to sustaining and growing existing operations in the domestic P&C insurance business. Rather, we will pursue medium-to-long-term improvements in profitability through growth strategies powered by IT and digital technologies and the creation of new businesses via collaboration with innovative partners.



## ■ Main Future Initiatives

In the domestic P&C insurance business, we will pursue ongoing growth with a focus on three types of innovation.

### Sustainable Innovation (Ongoing Growth through Existing Business Models)

The Sampo Holdings Group will increase quality and productivity through customer-oriented reforms in sales and claims departments to create innovation for achieving the maximum levels of growth via existing business models. In sales departments, systems will be developed based on customer needs. Claims departments, meanwhile, will implement reforms aimed at providing better service to customers, enhancing specialized expertise, and utilizing digital technologies.

### System Innovation (Improvements in Productivity [Profit Margins])

Rapidly evolving IT technologies will be used to facilitate innovation for achieving drastic improvements in productivity. Specifically, we will move forward with the application of AI and robotic process automation technologies and reform of our system platform, which is called the Future Innovation Project.

### Model Innovation (Creation of New Business Models)

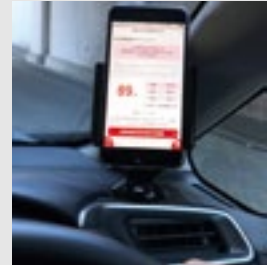
Innovation for creating new business models will include the development of new models through the union of marketing and digital technologies. We will also seek to create new businesses that contribute to people's security, health, and wellbeing in response to changes in industry structures brought about by advanced science technologies.



**Discounts Linked to Smartphone Application**  
**Start of Safe Driving Discounts**

In January 2018, Sompo Japan Nipponkoa began providing discounts to the premiums of customers newly enrolling in automobile insurance or insuring additional vehicles, based on the results of driving examinations linked to our free safe driving support smartphone application, Portable Smiling Road (launched in January 2016), making the discounts the first of their kind in Japan.\*

\* These discounts are the first premium discounts to be offered in Japan based on the driving examination function of a smartphone application.



Driving examination results screen of Portable Smiling Road application



**Utilization of AI**  
**Implementation of “AI Voice Recognition System” at Nationwide Insurance Service Bases**

Sompo Japan Nipponkoa implemented the “AI Voice Recognition System” at nationwide insurance service bases in February 2018, which is the second AI voice recognition system adopted by this company after the automated advisor knowledge support system in place at call centers. These systems are being used to realize higher levels of business efficiency and quality.



“AI Voice Recognition System” being used at insurance service base



**Conclusion of Comprehensive Partnership Agreement with Institute for Advanced Biosciences, Keio University**

Sompo Japan Nipponkoa concluded a comprehensive partnership agreement with the Institute for Advanced Biosciences, Keio University, which is headed by Director General Masaru Tomita, with the aim of using advanced science technologies to help resolve social issues and thereby contribute to communities and society as a whole.

As part of this partnership, the Sompo Japan Nipponkoa Business Lab Tsuruoka was established within the campus center of the Institute for Advanced Biosciences, which is located in Tsuruoka City, Yamagata Prefecture. This lab will merge academic, business, and local organizations to form a united movement to address social issues and make social contributions.



**Business Alliance with LINE Financial Corporation**

In April 2018, an agreement was reached between LINE Financial Corporation and Sompo Japan Nipponkoa to form a business alliance in the P&C insurance field. Located in the Shinjuku ward of Tokyo, LINE Financial aspires to develop and provide revolutionary financial services under the leadership of Representative Director Tsuyoshi Idesawa.

Through this alliance, we will seek to develop and launch specialized smartphone-based insurance services that will offer customers easy access to insurance purchase, consulting, and claims services via smartphones. These new insurance services will be a fusion of communication and insurtech (a portmanteau of “insurance” and “technology”).



As a core company in the Sompo Holdings Group, Sompo Japan Nipponkoa supplies a wide range of P&C insurance and other services to contribute to the security, health, and wellbeing of its approximately 2,000 customers across Japan. With the domestic P&C insurance business at its core, Sompo Japan Nipponkoa will realize growth in accordance with quality and thereby become the most highly evaluated P&C insurance company.

Performance Review

Net premiums written rose 0.1% year on year, to ¥2,168.0 billion, due to higher net premiums written in specialty and automobile insurance.

The net loss ratio increased 1.2 percentage points, to 64.4%, as a result of insurance payments arising from the greater number of natural disasters in Japan as well as large-scale accidents.

The net expense ratio rose 0.3 percentage point, to 32.3%, as a result of an increase in the ratio of premium process expenses.

Investment profit was down ¥34.5 billion due to the recording of write-downs and losses on disposal of subsidiaries' stocks. As a result, ordinary profit decreased ¥55.2 billion year on year. Regardless, net income increased ¥5.6 billion, to ¥170.0 billion, because of a decline in income tax expenses following the reorganization of the newly acquired Sompo International.

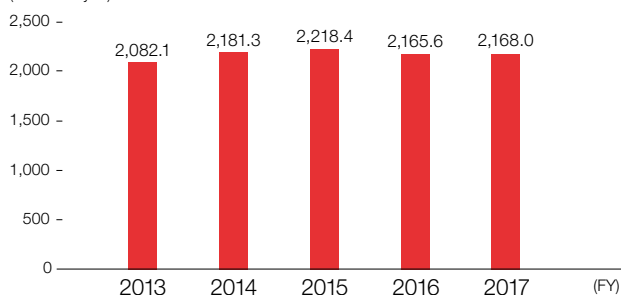
(Billions of yen)

		FY2013	FY2014	FY2015	FY2016	FY2017
Net Premiums Written		2,082.1	2,181.3	2,218.4	2,165.6	2,168.0
Net Loss Ratio		65.7%	65.6%	63.7%	63.2%	64.4%
Net Expense Ratio		32.2%	31.8%	31.6%	32.0%	32.3%
Underwriting Profit (Loss)		(62.5)	45.2	78.2	112.4	94.8
Investment Profit		192.7	151.5	108.5	132.3	97.8
Ordinary Profit		117.7	195.1	178.0	230.4	175.2
Net Income		49.5	45.0	126.2	164.4	170.0
Non-Consolidated Solvency Margin Ratio	Sompo Japan	713.3%	716.3%	729.3%	677.0%	735.1%
	Nipponkoa	653.0%				
Total Assets		70,98.9	7,326.2	7,036.2	7,568.7	7,688.1
Total Net Assets		12,33.3	1,592.6	1,324.8	1,455.2	1,574.5
Unrealized Gains and Losses on Securities Available For Sale		7,44.9	1,101.9	857.3	911.7	968.4
Non-Performing Loans (Risk-Monitored Loans)		0.9	0.7	0.4	0.4	0.3

Note: Figures prior to August 2014, excluding ROE and the non-consolidated solvency margin ratio, are the total of Sompo Japan and Nipponkoa.

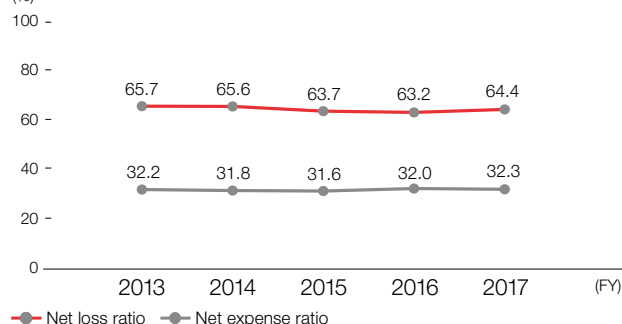
Net Premiums Written

(Billions of yen)

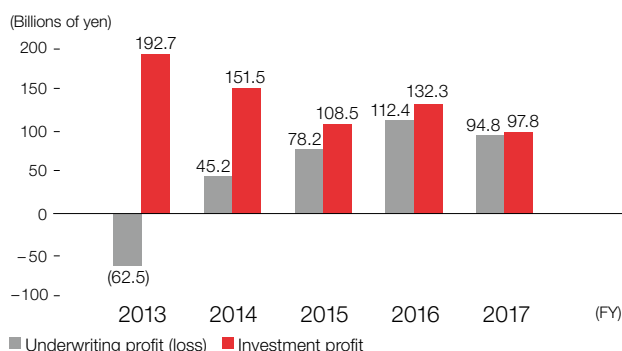


Net Loss Ratio / Net Expense Ratio

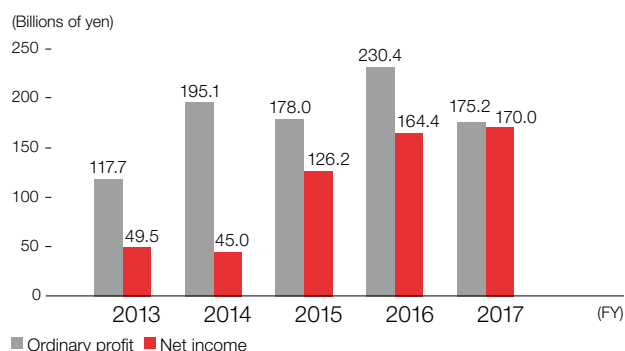
(%)



## Underwriting Profit (Loss) / Investment Profit



## Ordinary Profit / Net Income



As an insurance company that markets directly to customers, we sell "Otona no Jidosha Hoken" voluntary automobile insurance targeting those in their 40s and 50s, a demographic group with lower accident rates. By setting insurance rates by age, we aim to be a company understood and chosen by customers.

Given the recent changes in the environment, using digital technologies, we will strengthen our connections with customers and continue to offer products and services that customers are comfortable with, based on the concept of "always connected, just in case."

## SAISON AUTOMOBILE AND FIRE INSURANCE COMPANY, LIMITED

**Establishment:** September 1982  
(operational kickoff: April 1983)

**Capital:** ¥31,010 million

**Shareholder:** Sompo Japan Nipponkoa (99.76%)  
Credit Saison (0.24%)

**Total assets:** ¥53.8 billion

**Net premiums written:** ¥38.0 billion

**Head office:** Sunshine 60, 1-1,  
Higashi-Ikebukuro 3-chome,  
Toshima-ku, Tokyo

**URL:** <http://www.ins-saison.co.jp/>



**Takefumi Umemoto**  
President

## Performance Review

Net premiums written increased 14.4% year on year, to ¥38.0 billion, due to favorable performance by voluntary automobile insurance.

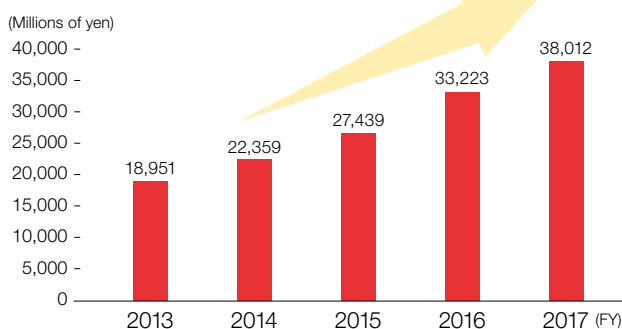
The net loss ratio increased 2.0 percentage points year on year, to 69.0%, reflecting a rise in claims paid.

The net expenses ratio improved 0.5 percentage point year on year, to 37.4%, due to an increase in net premiums written. Since its launch in March 2011, voluntary automobile insurance "Otona no Jidosha Hoken" has earned the support of many customers, reaching about 730,000 policies in force.

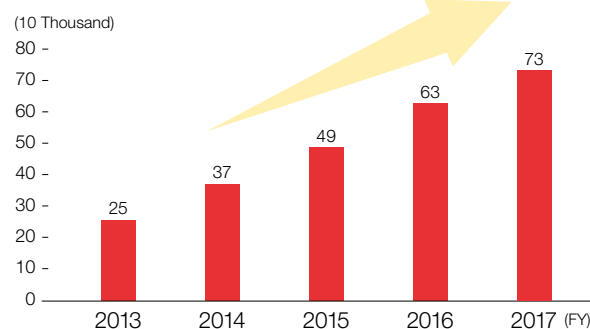
(Millions of yen)

	FY2016	FY2017
Net Premiums Written	33,223	38,012
Net Loss Ratio	67.0%	69.0%
Net Expense Ratio	37.9%	37.4%
Underwriting Profit (Loss)	(5,938)	(5,422)
Ordinary Profit (Loss)	(5,931)	(5,441)
Net Income (Loss)	(5,948)	(5,461)
Solvency Margin Ratio	562.0%	463.9%
Total Assets	51,655	53,807
Total Net Assets	9,281	8,289
Unrealized Gains And Losses on Securities Available For Sale	427	396

## Net Premiums Written



## "Otona no Jidosha Hoken" Policies in Force





# そんぽ24

With its intermediary agents introducing insurance products to customers, Sonpo 24 is involved in the direct marketing of automobile insurance through its website and call centers. Together with these agents, Sonpo 24 is an approachable and reliable insurance company that values its relationship with each customer.

## Sonpo 24 Insurance Company Limited

**Establishment:** December 1999  
(operational kickoff: March 2001)  
**Capital:** ¥19.0 billion  
**Shareholder:** Sompo Japan Nipponkoa (100%)  
**Total assets:** ¥24.1 billion  
**Net premiums written:** ¥12.3 billion  
**Head office:** Sunshine 60, 1-1,  
Higashi-Ikebukuro 3-chome,  
Toshima-ku, Tokyo  
**URL:** <http://www.sonpo24.co.jp/>



**Hisayuki Nagano**  
President

### Performance Review

Although net premiums written declined slightly, they remained stable at ¥12.3 billion. Due to an improvement in the net expense ratio due to lower costs, the combined ratio improved 0.6 percentage point to 93.6%,

provisions for reserves for outstanding losses and claims decreased, as did underwriting reserves, and underwriting profit rose ¥0.7 billion, to ¥2.2 billion. As a result, net income rose ¥0.2 billion, to ¥1.9 billion.

### TOPICS

#### Merger of SAISON AUTOMOBILE AND FIRE INSURANCE and Sonpo 24

An agreement has been reached to merge Group direct marketing insurance company SAISON AUTOMOBILE AND FIRE INSURANCE with Sonpo 24, and this merger is scheduled to take place in July 2019 pending approval by the relevant authorities. The goal of the merger is to improve efficiency and profitability in the domestic P&C insurance business.

After the merger, SAISON AUTOMOBILE AND FIRE INSURANCE, the surviving company, will continue to provide high-quality products and services, notably mainstay “Otona no Jidosha Hoken,” in accordance with its existing management policies, business strategies, and business model. In its ongoing role as the Group’s direct marketing insurance company, SAISON AUTOMOBILE AND FIRE INSURANCE will advance a concerted effort to offer comfort to customers in its quest to always be the insurance company they choose.

## Sompo Japan Nipponkoa DC Securities Inc.

As the Sompo Holdings Group’s defined contribution pension fund manager, we provide companies with bundled services covering everything related to the introduction through to the maintenance of defined contribution corporate pension plans, including supporting them in introducing systems and offering investment education and various types of information to participants (employees). We also provide individuals with comprehensive services pertaining to individual-type defined contribution pension plans (iDeCo) with the goal of being chosen by as many customers as possible.

## Sompo Japan Nipponkoa DC Securities Inc.

**Establishment:** May 1999  
**Capital:** ¥3.0 billion  
**Shareholder:** Sompo Japan Nipponkoa (100%)  
**Total assets:** ¥3.3 billion  
**Head office:** Shinjuku Center Building, 25-1,  
Nishi-Shinjuku 1-chome, Shinjuku-ku,  
Tokyo  
**URL:** <http://www.sjnk-dc.co.jp/>



**Shuichi Kita**  
President & Chief Executive Officer

### Main Indicators

	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Assets under Management Balance	¥417.3 billion	¥430.7 billion	¥473.7 billion	¥523.5 billion
Number of Participants (Including Investment Instructors)	225,000	238,000	255,000	286,000

## SOMPO RISK MANAGEMENT & HEALTH CARE

Sompo Risk Management & Health Care supports customers in their initiatives promoting security, health, and wellbeing by providing services and solutions such as company-wide Enterprise Risk Management (ERM), business continuity management and planning (BCM / BCP), health and productivity management support services, specific health guidance and health counseling, employee assistance programs, and cybersecurity measures, rolling out risk management services and healthcare services, and developing a cybersecurity business.

## Sompo Risk Management & Health Care Inc.

**Establishment:** November 1997  
**Capital:** ¥30.0 million  
**Shareholders:** Sompo Holdings (100%)  
**Head office:** 24-1, Nishi-Shinjuku 1-chome,  
Shinjuku-ku, Tokyo  
**URL:** <https://sompo-rc.co.jp/>



**Yasushi Fuse**  
President and Chief Executive Officer

# Domestic Life Insurance Business



**Yasuhiro Oba**

Domestic Life Insurance Business Owner  
Director

(Representative Director, President and Chief Executive Officer,  
Sompo Japan Nipponkoa Himawari Life Insurance, Inc.)

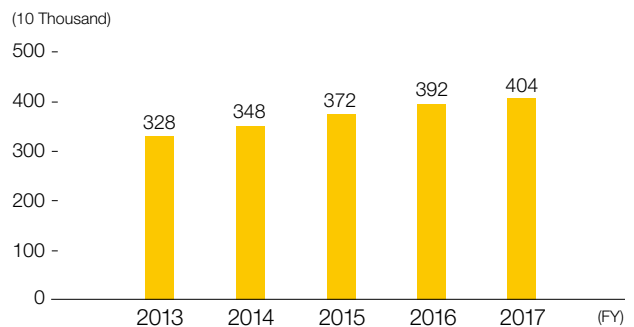
By offering new value as well as its existing insurance products, Sompo Japan Nipponkoa Himawari Life Insurance, Inc., is transforming into a health support enterprise that aids people in leading healthy lives. We aim to be an insurance company that is the first choice of customers and which helps them maintain and improve their health. To this end, we will provide “Insurhealth,” which integrates traditional insurance functions and health care functions to offer new value.

## Basic Strategies and Background

We expect Japan’s life insurance market to contract steadily as society ages. Competition is intensifying due to the digitalization and diversification of sales channels. However, annualized premiums from new business are increasing as we cater to demand stemming from a rise in the number of dual-income households; growth of the third-sector insurance products, which include medical insurance and cancer insurance; and an emerging need for disability insurance and dementia insurance. Further, the products and services of life insurance companies are diversifying, and they are beginning to market health-related products and services through the launch of health support products and other products and services. Since launching the health service brand Linkx (pronounced “link cross”) in September 2016, Sompo Japan Nipponkoa Himawari Life Insurance has been rolling out a varied range of health services. By helping us create direct links with customers and better understand them, Linkx health services will enable us to offer each customer the most suitable health-care service or insurance product at the optimal time.

### Sompo Japan Nipponkoa Himawari Life Insurance’s Policies in Force

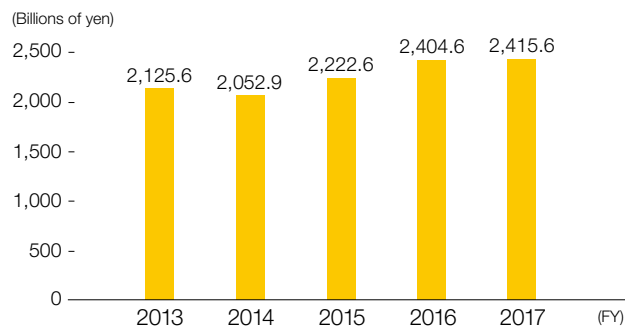
▶ Policies in force are increasing steadily



Note: Totals of individual insurance and individual annuities

### Trend in annualized premiums from new business in Japan

▶ Annualized premiums from new business trending upward



Note: Individual insurance only

Source: Trends in Life Insurance (fiscal 2017), the Life Insurance Association of Japan

## ■ Progress of the Mid-Term Management Plan

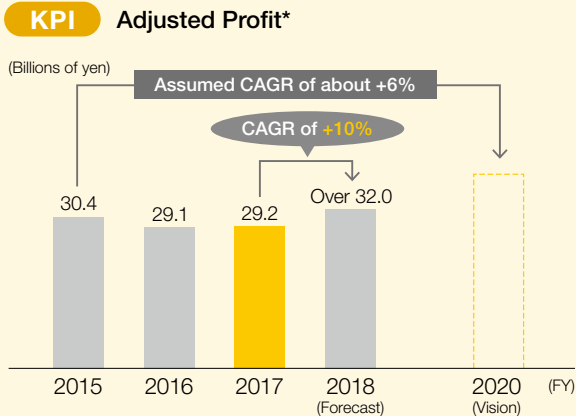
We will seek to evolve into a health support enterprise by advancing our new growth strategy and rapidly improving productivity based on the concepts of breaking industry norms, adopting the customer's standpoint, and becoming a familiar and trusted presence for customers.

### Advancing Our New Growth Strategy

Incorporating information and communication technology, we aim to increase the value offered to our customers and grow the number of customers by continuing to develop a companywide business model that unifies new services based on health with the products that incorporate these services, which will be provided by sales representatives who offer new value as they supply these products and services to customers.

### Rapidly Improving Productivity

We aim to further increase our competitiveness by promoting health and productivity management and work-style reform while extensively reforming the fundamental elements of our operations—including products and services, sales and marketing systems, and operating rules—accelerating our operations, and rapidly improving productivity.



In fiscal 2017, due to steady growth in income from insurance premiums, it was ¥29.2 billion, outperforming our target of ¥28.0 billion.

In fiscal 2018, targeting at least ¥32.0 billion, we will realize the vision of the Mid-Term Management Plan.

The Mid-Term Management Plan sets targets for adjusted profit of ¥32.0 billion for the end of fiscal 2018 and ¥40.0 billion for the end of fiscal 2020. At the end of fiscal 2017, adjusted profit was ¥29.2 billion, reflecting a favorable trend. Further, for policies in force we have set targets of 4.2 million for the end of fiscal 2018 and 5.0 million for the end of fiscal 2020.

At the end of fiscal 2017, there were 4.04 million policies in

force. Through the timely introduction of new products, we will achieve an increase in policies in force that is centered on high-margin products.

Based on the two overriding strategies of advancing the strategy for new growth and rapidly improving productivity, Sompo Japan Nipponkoa Himawari Life Insurance will expedite the evolution and improvement of its initiatives to realize the vision of the Mid-Term Management Plan.

## ■ Main Future Initiatives

Sompo Japan Nipponkoa Himawari Life Insurance will provide new value by rolling out Insurhealth products, which integrate insurance with services that maintain and improve customers' health. In April 2018, we launched our inaugural Insurhealth product, a renewed family income insurance product. This new offering is the first product to include health support services as well as riders covering disability income, psychiatric

disorders, and seven major diseases in the insurance industry. We plan to market further Insurhealth products. By continuing direct relationships with customers after policy enrollment and helping them maintain and improve their health, we will transform into a health support enterprise that aids people in leading healthy lives.

**TOPICS**

**The Launch of a Renewed Family Income Insurance Product**



April 2018 saw the launch of our first Insurhealth product—a renewed family income insurance product—which combines health support and disability income insurance. The insurance industry’s first “Get☆Healthy Challenge!” program reduces the premiums of customers whose health improves within a certain period after enrollment. Moreover, the program provides customers with a reimbursement of the difference between the former and reduced premiums dating back to the time of policy enrollment.



Premiums are reduced by lowering the premium rate, if there are improvements in relation to a customer’s smoking or health that occur within a certain period after enrollment\* and which meet the standards established by Sompo Japan Nipponkoa Himawari Life Insurance.



The renewed family income insurance product includes services designed to improve customers’ health. We provide Linkx Fit, which is a dedicated app for improving blood pressure and maintaining and lowering body mass index (BMI), and the Quit Smoking Line, a support service to help customers quit smoking.

**Security & Wellbeing** × **Digital**

**Introduction of AI for Insurance and Benefit Payment Services**

In February 2018, we introduced AI in earnest to increase the efficiency of insurance and benefit payment services. For example, we have introduced a new system that uses the assessment and support capabilities of AI to conduct some of the assessment processes for insurance and benefit payments. As a result, one person can now conduct roughly 40% of the multiple checks that used to require at least two people. Also, we expect to shorten the lead time for insurance and benefit payments by approximately one day.

**Human Resources** × **Digital**

**Development of AI-Enabled Support System for Face-to-Face Sales**

In February 2018, we became the first company in the insurance industry to introduce AI for the analysis of customers’ responses and satisfaction levels in relation to sales activities. Interaction among customers, sales representatives, and AI will give us a better understanding of customers’ aspirations and enable us to conduct sales activities and consulting of the highest quality.

Life plan screen



Customer aspirations screen



## Company Outline

As of March 31, 2018



The domestic life insurance business is one with particularly high growth potential among the Sampo Holdings Group's businesses, second only to the domestic P&C insurance business. Centered on health, we aim to provide our customers with new value.

In September 2016, we established health service brand Linkx, based on the concept of helping customers comfortably and enjoyably maintain good health.

Going forward, we will continue to think outside the box and establish this brand as a forerunner of security, health, and wellbeing.

## Performance Review

Income from insurance premiums rose ¥19.0 billion thanks to a steady increase in business in force, which resulted from fewer surrenders and more than compensated for a lowering of standard premiums in April 2017.

Amount of new business and annualized premiums from new business declined year on year. However, we recorded increases of 3.0% in policies

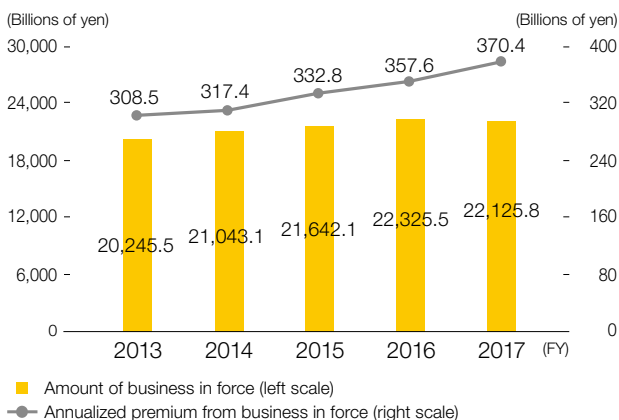
in force and 3.6% in annualized premiums from business in force compared with the previous fiscal year-end. Amount of business in force edged down 0.9% from the previous fiscal year-end, to ¥22,125.8 billion. Income from insurance premiums increased 4.5% year on year, to ¥438.4 billion.

(Billions of yen)

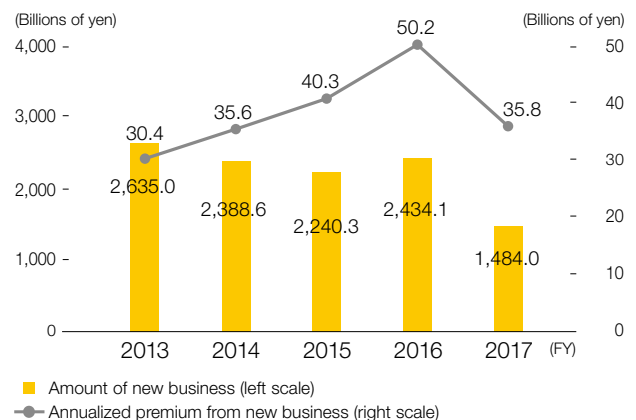
	FY2013	FY2014	FY2015	FY2016	FY2017
Amount of Business in Force	20,245.5	21,043.1	21,642.1	22,325.5	22,125.8
Annualized Premium from Business in Force	308.5	317.4	332.8	357.6	370.4
Amount of New Business	2,635.0	2,388.6	2,240.3	2,434.1	1,484.0
Annualized Premium from New Business	30.4	35.6	40.3	50.2	35.8
Income from Insurance Premiums	372.8	380.7	396.4	419.5	438.4
Total Assets	2,120.2	2,278.1	2,438.0	2,589.0	2,796.2
Embedded Value	750.3	784.4	767.8	843.4	873.6
Non-Consolidated Solvency Margin Ratio (%)	1,583.2	1,676.3	1,771.4	1,573.0	1,513.1

Notes: 1. Amount of new business, annualized premiums, policies in force, and amount of business in force are the sums of individual insurance and individual annuities.  
2. Annualized premiums are the premiums for one year, which are calculated by dividing the total premium payments of policies by the durations of insurance.

### Amount of Business in Force



### Amount of New Business





# Nursing Care & Healthcare Business



**Mikio Okumura**

Nursing Care & Healthcare Business Owner  
 Director, Managing Executive Officer  
 (Chairman and Executive Officer of Sampo Care Inc.)

In July 2018, Sampo Care Inc., Sampo Care Next Inc., and the Group's two other nursing care service companies were merged to form Sampo Care Inc., which offers a full lineup of nursing care services encompassing everything from at-home nursing care to facility-based nursing care. Under a new Regional Headquarters System that divides Japan into four regions, this company will flexibly utilize human resources through increased personnel fluidity at the regional level. It will also make effective use of the Group's management resources based on market needs and strategies to deliver nursing care services of the highest quality.

## Basic Strategies and Background

The population in Japan is aging rapidly, and it can therefore be expected that the need for nursing care services in this country will continue to grow substantially in the future. At the same time, the gap between the supply and demand of labor for nursing care services is widening, and in 2025 there is anticipated to be a shortage of about 340,000 nursing care professionals. Meanwhile, there is a difference of around 10 years between the average life span in Japan and the so-called healthy life span during which people are living in good health. The resulting issues pertaining to caring for family members and concerns for post-retirement finances are adding to the various issues faced in Japan's rapidly aging society.

Sampo Care seeks to help address these issues by enhancing education programs for the development of human resources, embracing ICT and digital technologies to improve productivity, and extending healthy life spans through the prevention of cognitive decline and other means. In the growing senior market, we thus provide services that contribute to the security, health, and wellbeing of both customers that require care and those that do not and help resolve the issues faced by society in order to assist in making "Japan an affluent country that can boast to the world of a long and quality life."

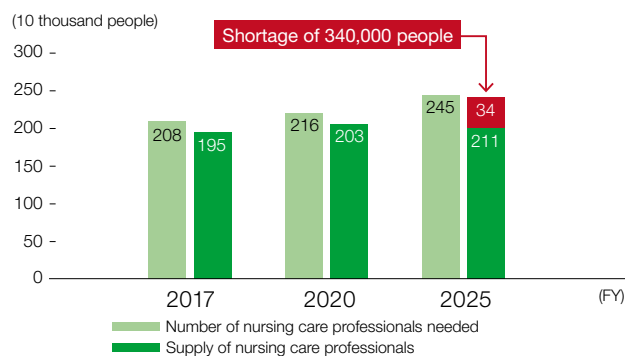
## Sales of Listed Nursing Care Service Providers

1	Company A	¥148.1 billion
2	Sampo Care Group (both companies combined)	¥119.2 billion
3	Company B	¥111.8 billion
4	Company C	¥81.8 billion
5	Former Sampo Care Message	¥77.9 billion
6	Former Sampo Care Next	¥41.3 billion
6	Company E	¥39.5 billion

Note: Prepared based on each company's earnings presentation materials

## Gap between Supply and Demand of Nursing Care Professionals

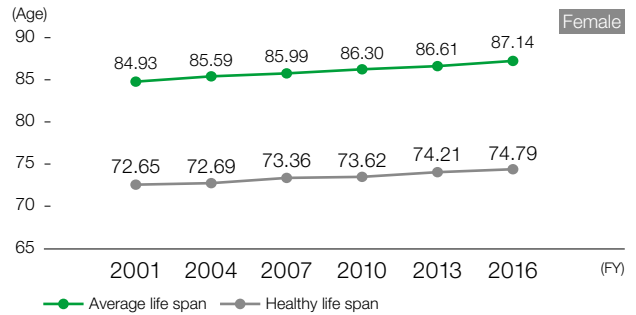
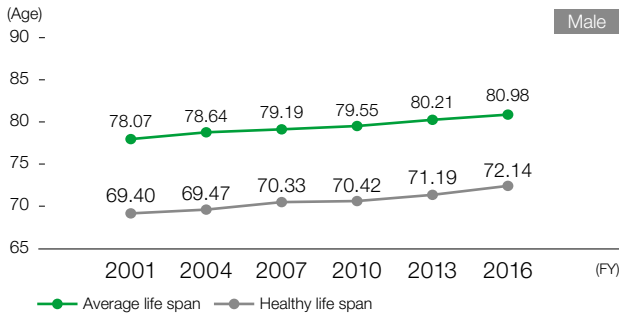
▶ Shortage of approx. 340,000 nursing care professionals forecast in fiscal 2025



Note: Prepared based on "Estimates of Supply and Demand of Nursing Care Professionals Toward 2025" and "The number of long-term care workers necessary to implement the plan for the 7th Long-term Care Insurance Project" by the Ministry of Health, Labour and Welfare

## Average Life Span and Healthy Life Span

▶ Difference of around 10 years between average life span and healthy life span



Note: Excerpt from materials of the 11th Healthy Japan 21 (Secondary) Promotion Committee of the Ministry of Health, Labour and Welfare

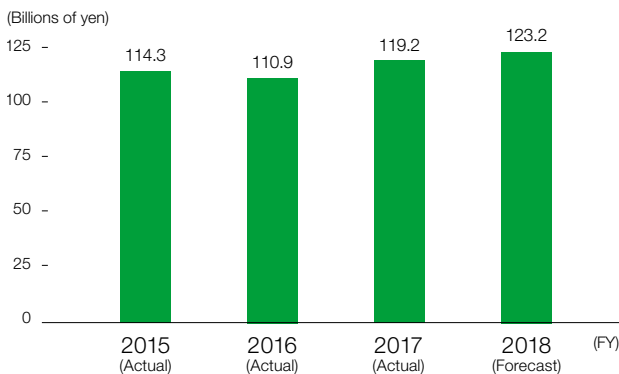
## Progress of the Mid-Term Management Plan

Since commencing full-fledged entry into the nursing care business in fiscal 2015, we have been prioritizing the establishment of the necessary business foundations and corporate governance structures. To this end, we have been developing internal control and compliance systems as well as service systems focused on safety and wellbeing.

We commenced integrated operations of Sompoco Care Message and Sompoco Care Next in fiscal 2017, working to improve quality and develop human resources as a united Sompoco Care Group. These efforts led to increased facility occupancy rates and ultimately higher sales. As a result, adjusted profit in the nursing care & healthcare business reached ¥3.0 billion in fiscal 2017, a massive increase over the previous fiscal year.

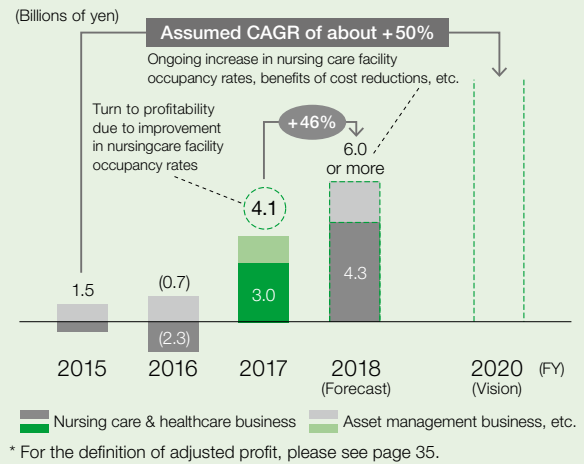
In fiscal 2018, we anticipate adjusted profit of ¥4.3 billion in the nursing care & healthcare business as sales continue to rise on the back of increased facility occupancy rates and as the various measures for improving profit margins generate results.

## Sales of Sompoco Care



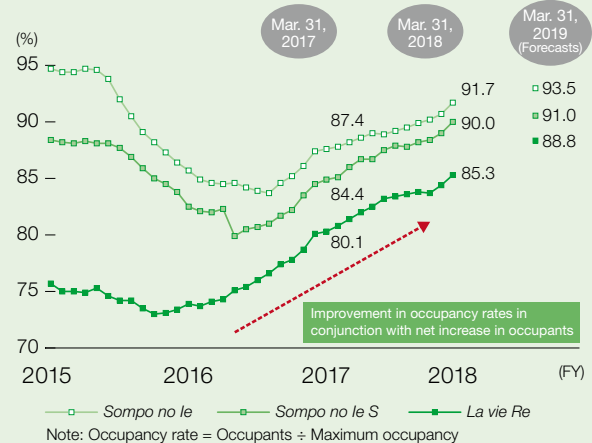
Note: Figures for fiscal 2015–fiscal 2017 are the total of figures for the former Sompoco Care Message and former Sompoco Care Next.

## KPI Adjusted Profit\*



## KPI Occupancy Rate Performance and Forecasts

The benefits of enhanced governance, improved quality, and human resource development led to an upturn in occupancy rates that began in fiscal 2016 and has continued thereafter. We anticipate that rates will keep improving in fiscal 2018.

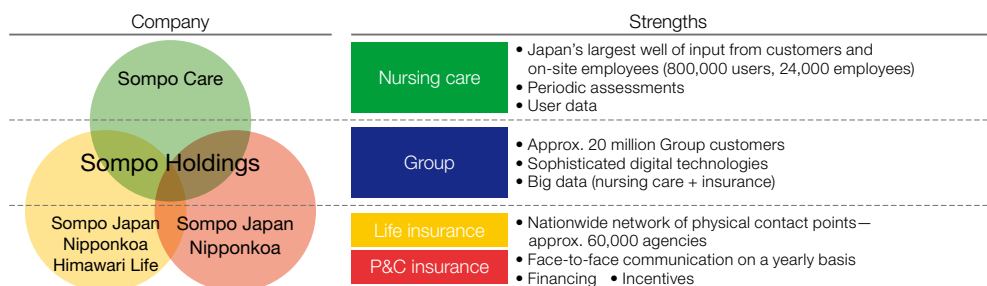


## ■ Main Future Initiatives

The nursing care & healthcare business will develop its operations throughout the senior market, which is centered on nursing care, with the goal of helping address a wide range of social issues in the nursing care field and in other areas. In this undertaking, we will step up collaboration between the

domestic P&C insurance and the domestic life insurance businesses to exercise the Group's strengths while leveraging the insight of outside partners through means such as partnerships between public, private, and academic organizations.

## Intra-Group Coordination and Group Strengths



## ■ Employee Training

The quality Somo Care seeks to deliver in its nursing care services is something that will need to be realized by enhancing the independence of users, which is the most fundamental mission of nursing care, while developing services that are matched to the needs of users. It is the people serving customers on-site who will be responsible for realizing this quality. At Somo Care, we hold the Somo Care Grand Prix Final, an annual forum for presenting information on on-site initiatives and other activities that is open to nursing care service sites across Japan. The goal of this forum is to share

information on such activities throughout the organization and thereby increase the quality of our nursing care services.

We also hold annual cooking contests in which each site proposes meals they want to serve users and then prepares them for the competition. Furthermore, we strive to foster the ability of staff to determine the steps required to provide users with pleasing meals and communicate this need in concrete terms. By cultivating such skills, we aim to support the independence of users through food.



Somo Care Grand Prix Final



Cooking contest

## ■ Governance

### 1. System

In conjunction with the start of integrated operations in fiscal 2017, we bolstered risk management divisions and have been working to spread and entrench awareness of the importance of preventing the reoccurrence of accidents and other incidents affecting the entire company. Also, the Governance, Risk, and Compliance Committee has been set up as an advisory body to the Management Committee in order to help furnish responses to serious incidents pertaining to risk management at the Somo Care Group and to discuss internal audit results and other internal control-related matters.

### 2. Compliance

Somo Care enacts compliance programs to systematically promote compliance, distributes compliance guidebooks to employees, conducts compliance training, and takes other steps to cultivate compliance knowledge and awareness.

In addition, internal and external reporting venues have been established as a whistleblower system. Reports are quickly investigated to determine the validity of their claims and the necessary response measures are put in place. Cards describing how to contact the venues are supplied to employees to ensure that they are aware of this system.

**TOPICS**

## Introduction of the Regional Headquarters System

In April 2018, a new Regional Headquarters System was introduced in the nursing care business that will divide Japan into four regions consisting of 128 areas overseen by four headquarters (East Japan Headquarters, Tokyo Headquarters, Tokyo Metropolitan Area Headquarters, and West Japan Headquarters). The purpose of the new system is to provide optimal services by speedily addressing conditions and changes in each region and to thereby contribute to regional societies. Through this system, efforts will be made to flexibly utilize human resources through increased regional-level fluidity and to effectively harness the Group's business resources based on market needs and strategies. At the same time, we will leverage the strengths of Sompo Care to provide a full lineup of nursing care services encompassing everything from at-home nursing care to facility-based nursing care with the aim of increasing convenience for customers.

## Tokyo University of the Arts + Sompo Care Inc. Industry-Academia Collaboration Launch of Artist in "Sompo no Ie S Ojikamiya"



Tokyo University of the Arts and Sompo Care launched the new Artist in "Sompo no Ie S Ojikamiya" project in May 2018. This project entails artists living together with senior citizens together in housing providing Sompo Care nursing care services. By encouraging a communal atmosphere between residents through art, this project aims to build new communities and relationships.

From the perspective of combining art and social welfare, Tokyo University of the Arts and Sompo Care have been conducting the Diversity on the Arts Project (DOOR) since April 2017. Directed by Katsuhiko Hibino, Dean of The Faculty of Fine Arts at Tokyo University of the Arts, this project has the goal of training individuals who can help create a social environment in which diverse people can live together by spreading a broad spectrum of art throughout society. By having nursing care facility residents meet, interact, and collaborate with artists who have graduated from the DOOR program, we hope to help them experience new inter-personal connections and thereby improve their quality of life while promoting regional exchange.



Residents interacting with artists

## Company Outline

As of July 1, 2018



Effective July 1, 2018, the Group's four nursing care service companies (Sompo Care Inc., Sompo Care Next Inc., Japan Care Service Corporation, and Planning Care Corporation) were merged to form Sompo Care Inc. The goal of this merger was to enable us to provide customers in various regions with a full lineup of top-quality nursing care services ranging from at-home nursing care to facility-based nursing care. Under the Regional Headquarters System, which divides Japan into four regions, we operate approximately 300 nursing homes providing long-term care, around 130 serviced residential complexes for senior citizens, and roughly 680 at-home nursing care service offices. This network has enabled us to grow to become No. 1 in the number of senior housing units.\*

\* Total number of housing units at fee-based nursing homes, serviced residential complexes for senior citizens, group homes, and other serviced residences

### Sompo Care Inc.

**Establishment:** May 1997  
**Capital:** ¥3,925 million  
**Shareholders:** Sompo Holdings (100%)  
**Head office:** Shinagawa Seaside East Tower, 12-8, Higashishinagawa 4-chome, Shinagawa-ku, Tokyo  
**URL:** <https://www.sompocare.com/>



**Ken Endo**  
 President  
 Sompo Care Inc.

# Overseas Insurance Business

## Building an Integrated Platform for Overseas Insurance Business

With Sompo International established as our overseas platform for commercial business in developed markets, we are now focused on building a truly integrated platform for all overseas insurance business across both the retail and commercial sectors.

In the commercial business, we will expand our products and services by leveraging the high-quality underwriting and risk management expertise of Sompo International combined with the capital strength and extensive licensing network of Sompo Holdings. Key initiatives in fiscal 2017 included the integration of Sompo's U.S. and European operations and the launch of AgriSompo, an integrated global underwriting platform for agriculture business.

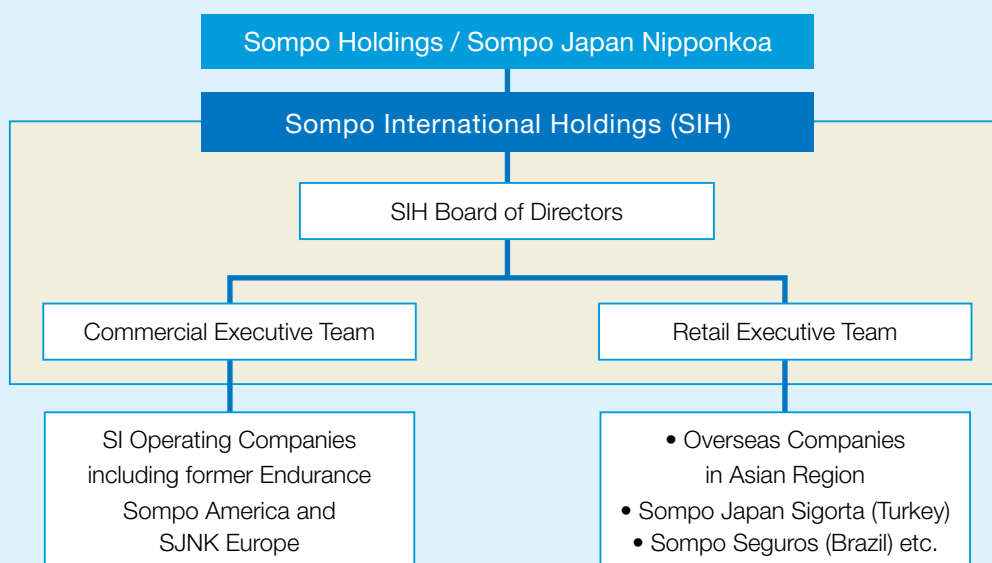
In the retail business, we are establishing a new platform and governance structure to facilitate the integration of our overseas operations under the oversight and management of Sompo International. This new platform will enable us to accelerate growth by sharing underwriting, technology, ERM (Enterprise Risk Management) and actuarial expertise to implement best practices worldwide and to develop new products and underwriting models.

Our overseas insurance business will operate under a consistent strategy and corporate governance united under the Sompo International brand while respecting the diversity and local customs of each operating country.



**John R. Charman**  
Chairman & CEO  
Sompo International Holdings Ltd.

### Overseas Insurance Vision





## ■ Global M&A Strategy

We continue to seek attractive M&A opportunities as we build scale and scope, positioning Sompo Holdings to be a global top 10 insurance company. With a disciplined M&A approach, our goal is to achieve further diversification across our commercial and retail platforms.

In fiscal 2017, we have successfully closed two transactions—A&A S.r.l., a leading specialty company in the Italian agriculture insurance market and Lexon Surety Group, a top 10 independent surety insurer in the United States.



**Nigel Frudd**

Managing Executive Officer  
Overseas Business Strategy  
Chief Strategy Officer,  
Sompo International Holdings Ltd.

## ■ Progress toward Building a Commercial Platform in Developed Countries

Development of the global commercial insurance platform achieved significant progress with the successful integration of the Sompo America Insurance Company and Sompo Japan Nipponkoa Insurance Company of Europe Limited (SJNIKE) with Sompo International. This combined platform provides opportunities for Sompo to enhance the service quality to our overseas clients by introducing additional commercial specialty products and services to them.

In conjunction with the integration of SJNIKE, we have established a new European insurance and reinsurance subsidiary in response to the United Kingdom's decision to leave the European Union (Brexit). Europe is a strategic growth area and the new platform, based in Luxembourg, will ensure that we maintain our ability to effectively service clients in the

European Union, expand our presence and relevance with broader product offerings, and serve as a foundation for future growth and investment in the region. Sompo International also introduced the Global Clearance System, which has enabled commercial operating subsidiaries to underwrite based on standardized criteria regardless of the operating area, operating company, and IT system.

In response to these initiatives, S&P upgraded the financial strength ratings on Sompo International Holdings Ltd.'s core operating companies to 'A+' from 'A', attributing their action to Sompo International becoming core to Sompo Holdings as we build an integrated platform for our overseas insurance business.

## TOPICS

### AgriSompo: Integrated Agricultural Insurance Platform

Sompo International is a leading global player in agriculture (re)insurance, delivering innovative agricultural risk management solutions to farmers and agricultural insurers and agri-businesses.

In November 2017, we launched AgriSompo, a new global platform which will capitalize on the extensive specialty agriculture resources, market leading technology and underwriting expertise of Sompo International, coupled with the extensive licenses, distribution networks, and client relationships of the Sompo Holdings Group.

Through AgriSompo, we will expand into additional emerging agriculture insurance markets with significant growth potential.



### Business Initiatives

Through disciplined M&A activities, steady organic growth and effective PMI, Sampo overseas insurance business has grown tenfold over the last seven years, (from fiscal 2010, ¥64.3 billion to fiscal 2017, ¥645.2 billion).

The adjusted profit of our overseas insurance business represented only 7% of our consolidated profit in fiscal 2010 while this year (fiscal 2017), the first year including Sampo International, our overseas insurance business contributed 27% of our group profit. We are targeting around 40% contribution to consolidated profit in the future, reflecting aggressive growth plans.

The key initiatives for our overseas insurance business are (1) to build a truly integrated global platform for all our business around the globe, (2) to further strengthen the capability of our existing entities to maintain steady growth for corporate, specialty business and retail business, (3) to seek both transactional and strategic M&A opportunities to further diversify our business across geographies and business lines.

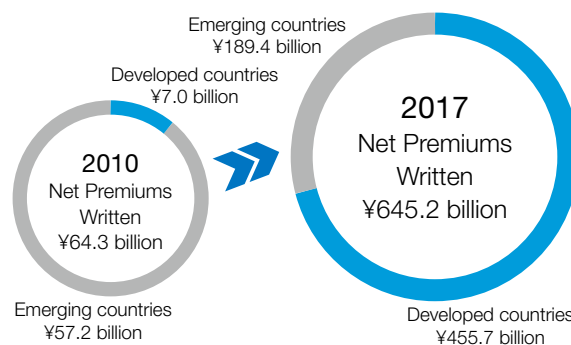
### Sampo Global Summit

Our annual Sampo Global Summit conference is a forum for our Group CEO Sakurada, executive officers in charge of overseas insurance business, and the CEOs of our operating subsidiaries to discuss our overseas strategy.

The summit held in February 2018 focused on reaching agreement to transform our overseas insurance business by

### Transformation of Net Premiums Written

▶ More than 10-fold rise in net premiums written over 7 years



Note: Figures for net premiums written reflect the Company's percentage of ownership of consolidated subsidiaries and affiliates. In the consolidated financial statements, figures for net premiums written are calculated based on different criteria.

### Major Overseas M&A

2010	Tenet (Singapore)	¥6.4 billion
2010	Sigorta (Turkey)	¥27.4 billion
2011	Berjaya (Malaysia)	¥17.0 billion
2013	Maritima (Brazil)	¥25.1 billion
2014	Canopus Group (U.K.) (divested in 2017)	¥104.7 billion
2017	Endurance Specialty Holdings (U.S., Bermuda)	¥683.1 billion

building a platform for retail business to complement Sampo International's strong commercial business platform. This will enable us to significantly expand our overseas insurance business and achieve our transformation goals.





## Junichi Tanaka

Overseas Insurance Business Owner  
Director,  
Managing Executive Officer

Driven by the rapid increase in middle class population and GDP in emerging markets, the global insurance market is growing steadily. Innovative products based on the latest digital technologies and specialized underwriting expertise for new risks such as Cyber and Network Security are also driving demand in developed countries.

In fiscal 2017, the global insurance market experienced large losses due to a number of natural catastrophes including several major hurricanes in North America, resulting in rate hardening in select markets.

With the introduction of Insurtech (technology-based new products and services) disrupting traditional models, the global insurance market is changing at an unprecedented speed. Sompo is leading the industry in research and investment in digital solutions in line with our commitment to enhance the quality and breadth of our product and service offerings to meet the diversified needs of our customers.

## ■ Progress of the Mid-Term Management Plan

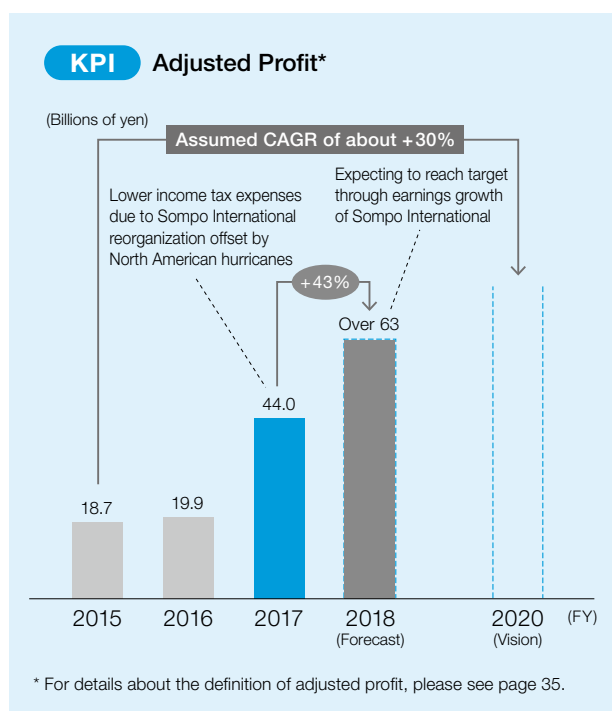
The Mid-Term Management Plan is the initial step to becoming a top 10 global listed insurance company in the near future, in terms of size and capital efficiency.

We have acquired a number of companies in emerging markets since 2010 which have enabled us to expand our footprint into profitable new retail markets. In 2017, the acquisition of Endurance (re-branded immediately to Sompo International) has enabled Sompo to dramatically expand our global corporate and specialty line business and also significantly enhanced the size and quality of our overall global business.

In fiscal 2017, the second year of the Mid-Term Management Plan, our overseas insurance business was impacted by natural catastrophes including three major North America hurricanes from August to September. As a result, adjusted profit was ¥44 billion compared to the target of ¥63.1 billion.

In fiscal 2018, we are forecasting ¥63 billion in adjusted profit by further growing premiums and enhancing profitability across our corporate P&C and specialty and retail businesses.

By building a truly integrated global platform under Sompo International, we are targeting to deliver ¥100 billion of adjusted profit in the future.



Global Expansion

 **Sampo Holdings (Asia) Pte. Ltd.**

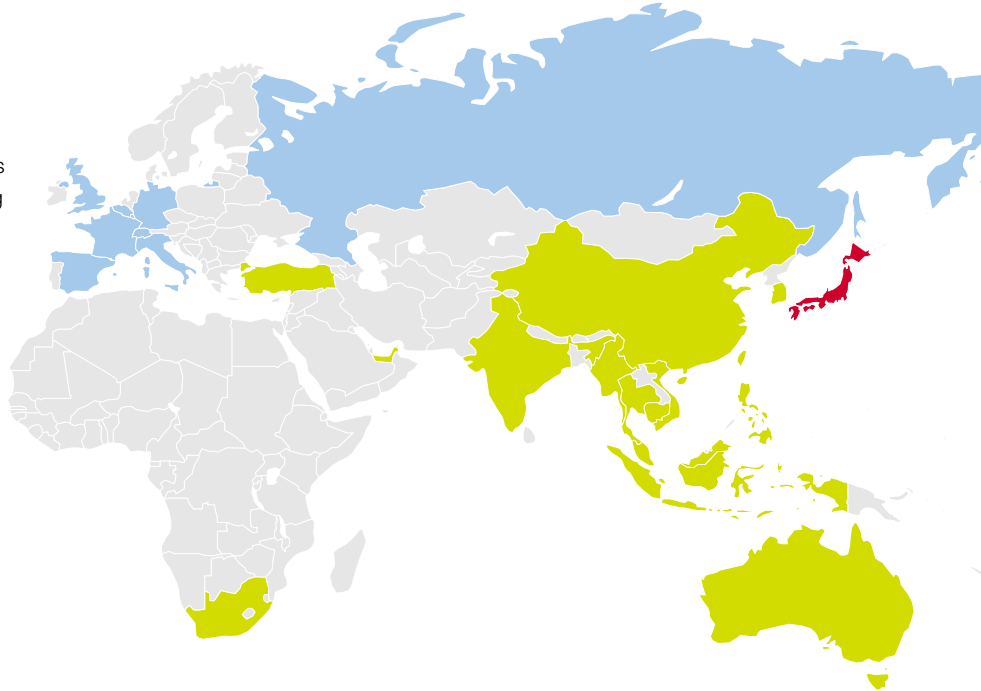
Sampo Holdings (Asia) is an intermediate holding company in charge of South Asian businesses and manages overseas bases in 10 countries, including Singapore, Malaysia, and Indonesia.

By planning cross-regional measures such as bancassurance at CIMB Group, a major banking group of the ASEAN region, we aim to expand our businesses in this fast-growing region.



**Yuji Kawauchi**  
President, Managing Director  
Sampo Holdings (Asia) Pte. Ltd.

218 cities in



 **SOMPO JAPAN SIGORTA**

Sampo Japan Sigorta is the only P&C insurance company from Asia in Turkey and recorded the sixth largest sales (gross premiums) and the second largest underwriting profit in the market in 2017. With its IT expertise in insurance pricing, Sampo Japan Sigorta is developing superior marketing strategies and expanding its earnings.

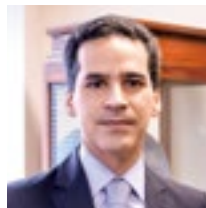


**Recai Dalas**  
Director, CEO  
Sampo Japan Sigorta Anonim Sirketi

 **SOMPO SEGUROS**

Established in 2014 through the merger of Maritima Seguros (incorporated in 1943) and Yasuda Seguros (in 1959), Sampo Seguros is an insurance company that provides both P&C and life insurance in Brazil. By offering extensive product lines and strengthening its sales network, Sampo Seguros is expanding in the retail and corporate markets.

Since its renaming in July 2016, Sampo Seguros has been strengthening the SOMPO brand in Brazil.



**Francisco Caiuby Vidigal Filho**  
President  
Sampo Seguros S.A.

# 30 countries and regions (As of March 31, 2018)



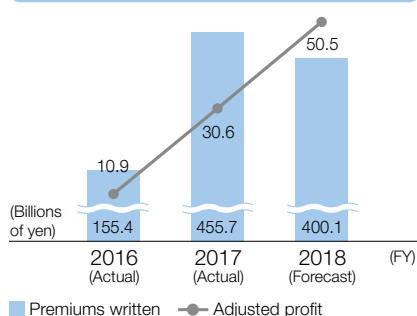
Sompo International is a global specialty provider of commercial P&C insurance and reinsurance, currently comprised of the operations of legacy Endurance (acquired in March 2017), Sompo America and SJNKE. Servicing clients globally with a wide range of commercial property, liability, agriculture and specialty products, Sompo International's operating platform across North America and Europe will lead the strategic expansion of Sompo's overseas commercial and retail business.



**John A. Kuhn**  
Chief Underwriting Officer  
Sompo International Holdings Ltd.

## Premiums Written\*1 and Adjusted Profit\*2 by Region\*3

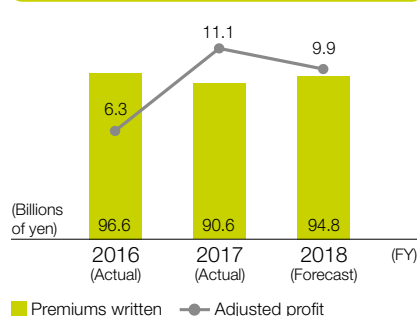
### North America and Europe



#### Main Operating Companies (based on head office location)

- Sompo International Holdings Ltd.
- Endurance Specialty Insurance Ltd.
- Sompo America Insurance Company
- Endurance Worldwide Insurance Ltd.
- SI Insurance (Europe), SA

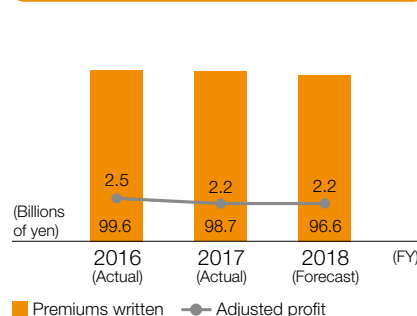
### Asia & Middle East



#### Main Operating Companies (based on head office location)

- Sompo Japan Sigorta Anonim Sirketi
- Sompo Holdings (Asia) Pte. Ltd.
- Sompo Insurance Singapore Pte. Ltd.
- Berjaya Sompo Insurance Berhad
- PT Sompo Insurance Indonesia
- Universal Sompo General Insurance Company Ltd.
- Sompo Insurance China Co., Ltd.
- Sompo Insurance (Hong Kong) Company Ltd.

### South America



#### Main Operating Companies (based on head office location)

- Sompo Seguros S.A.
- Sompo Saude Seguros S.A.

\*1 Amounts for premiums written are calculated using figures that have been adjusted based on the Company's ownership of consolidated subsidiaries and affiliates and, therefore, may differ from the amounts in the consolidated financial statements. Further, the figures for operating company groups that conduct businesses in multiple regions have been included in the figures of the region that has the largest earnings.

\*2 For details about the definition of adjusted profit, please see page 35. Further, the figures for operating company groups that conduct businesses in multiple regions have been included in the figures of the region that has the largest earnings.

\*3 Premiums written and adjusted profit do not include figures of Sompo Japan Nipponkoa's representative offices in countries such as Russia and South Africa.





### Alliance with China’s Largest Internet Insurance Company— Joint Development of Overseas Travel Insurance for Travelers Visiting Japan

Sompo Insurance China, a member of the Sompo Holdings Group, concluded an alliance with ZhongAn Online P&C Insurance Co., Ltd. (ZhongAn Insurance) in June 2017 to jointly develop overseas travel insurance products for Chinese travelers visiting Japan.

ZhongAn Insurance was established through investment by leading Chinese IT firms, such as Alibaba Group Holding Limited and Tencent Holdings Limited., as China’s first purely Internet-based insurance company.

The new initiative will enable us to provide the highest-quality services that contribute to the security, health, and wellbeing of customers through ZhongAn Insurance’s advanced insurance service based on its digital technologies and its brand power as well as the Sompo Holdings Group’s network of medical institutions and medical interpreting services.



### Cross-Border Automobile Accident Response Service Launched in the Greater Mekong Subregion

Sompo Insurance (Thailand), a member of the Sompo Holdings Group, started providing a cross-border automobile accident response service from September 2017 across the Thailand border in the Greater Mekong Subregion, covering Malaysia, Cambodia, Myanmar, and Laos.

The new service operates in the local language, Thai, and English and rapidly dispatches personnel to accident scenes. Through its cross-border accident response service, the Sompo Holdings Group will meet the needs of customers with businesses in the Greater Mekong Subregion and contribute to the development of the area.



### Sompo Japan Sigorta (Turkey) Won Celent Award For Mobile Device Application

Sompo Japan Sigorta, a member of the Sompo Holdings Group, received an award from Celent, a U.S. financial consulting firm, for a mobile device application developed for agencies. This award is an international award that Celent presents in recognition of excellent IT initiatives.

The application manages all contract management processes, from providing quotations to issuing policies. It also offers many other functions, such as providing claim information and training programs for agencies.

Approximately 90% of Sompo Japan Sigorta’s agencies already use the mobile application, thanks to which these agencies can work anytime and anywhere.

We will continue to provide high-quality services through IT-enabled innovation.



# Strategic Businesses

Our strategic businesses include assisting customers with building asset portfolios through the asset management business and providing policyholders with roadside assistance service through the assistance business. We are also advancing into the home remodeling and extended warranty business fields. Through these businesses, we pursue inter-business coordination that is intrinsically related to our domestic P&C insurance business and other main businesses.

## Company Outline



Sampo Japan Nipponkoa Asset Management Co., Ltd., aims to be the most customer-oriented asset management company in Japan. This company proposes and provides top-caliber products and asset management services to assist customers in building asset portfolios over the medium-to-long term. Such offerings are made available through its investment advisory business geared toward pension funds and other institutional investors and through its investment trust business designed primarily for private investors.

In March 2016, the company established and released a Declaration of Customer-First Policy. The company will realize customer-oriented business conduct by accomplishing the three principal achievements of the declaration.

### Assets under Management

In fiscal 2017, assets under management increased year on year for the second consecutive year as major investors steadily entrusted the company with new assets to manage. On March 31, 2018, the company's assets under management consisted of ¥1,557.3 billion in a pension investment discretionary account and ¥736.3 billion in investment trust net assets.

### Declaration of Customer-First Policy

#### Vision for the Company

Sampo Japan Nipponkoa Asset Management Co., Ltd., strives to be the most customer-oriented asset management company in Japan by proposing and providing top-caliber products and asset management services that aid customers in building asset portfolios over the medium-to-long term.

#### Three Principal Achievements

Our fiduciary duty is our responsibility to put our clients first as asset management professionals. To implement this management philosophy, we seek to accomplish the following three principal achievements.

1. Realization of asset management capabilities that support customers' asset portfolios
2. Provision of products and services that truly incorporate the customer's perspective
3. Reinforcement of the corporate systems and operating infrastructure necessary to realize the above

## TOPICS

### UCDA Award 2017

Sampo Japan Nipponkoa Asset Management's Sampo Japan Green Open prospectus received the Clear Information Award in the investment trusts category of the UCDA Awards 2017, which is hosted by the Universal Communication Design Association (UCDA).

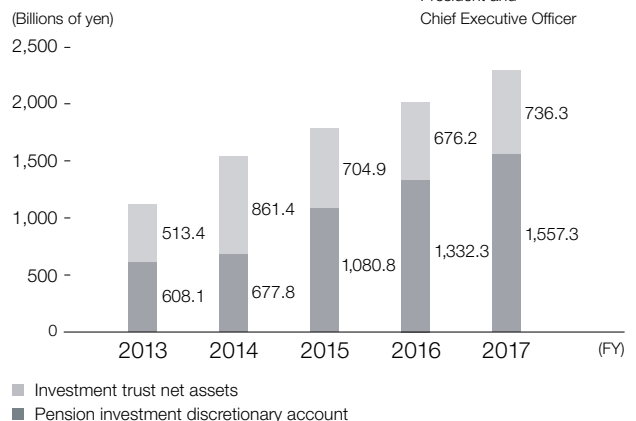
### Sampo Japan Nipponkoa Asset Management Co., Ltd.

Establishment: February 1986  
 Capital: ¥1,550.0 million  
 Shareholder: Sampo Holdings (100%)  
 Head office: Kyoritsu Nihonbashi Building, 2-16, Nihonbashi 2-chome, Chuo-ku, Tokyo  
 URL: <http://www.sjnk-am.co.jp/>



Hiroyuki Yamaguchi  
 President and  
 Chief Executive Officer

As of March 31, 2018



#### Sampo Japan Green Open

This is a socially responsible investment (SRI) fund focused on investment in companies that actively address environmental issues. The fund is one of the largest publicly offered SRI investment trust funds in Japan.



#### "Happy Aging Fund"

In April 2018, our mutual fund, Happy Aging 60, received the first prize of Rating and Investment Information, Inc. (R&I)'s R&I Fund Award for the fourth consecutive year.

## Prime Assistance

Through its assistance business, which provides roadside and home assistance as well as assistance in solving problems and inconveniences overseas, the company offers services of the highest grade 24 hours a day, 365 days a year that support the security and wellbeing of customers in their daily lives.

### Prime Assistance Inc.

**Establishment:** April 2012  
**Capital:** ¥450.0 million  
**Shareholder:** Sompo Holdings (66.6%)  
 Prestige International (33.4%)  
**Head office:** Harmony Tower, 32-2, Honcho 1-chome, Nakano-ku, Tokyo  
**URL:** <http://www.prime-as.com/>



**Hiroyuki Tokuoka**  
 President and  
 Chief Executive Officer

### TOPICS

#### Launch of “Call-Less” Roadside Assistance Service

In April 2018, we launched “Call-Less Service Delivery,” which allows customers to request roadside assistance through their smartphones without talking to an operator. For example, if their vehicle’s battery dies on a public highway or in a parking lot, policyholders can simply use their smartphones to register their location via a dedicated website and rapidly receive roadside assistance. Our services of unsurpassed quality will continue assisting customers and society.

## FRESH HOUSE

As a general remodeling firm, the company aims to eliminate uneasiness, inconvenience, and discomfort through high-quality remodeling services, providing homes in which residents can live safely, comfortably, and with peace of mind.

### FRESHHOUSE CO., LTD.

**Establishment:** July 1995  
**Capital:** ¥100.0 million  
**Shareholder:** Sompo Holdings (66%)  
 Other (34%)  
**Head office:** Sompo Japan Nipponkoa Bentendoori Building, 57, Bentendoori 4-chome, Naka-ku, Yokohama City, Kanagawa  
**URL:** <https://freshhouse.co.jp/>



**Shuu Nakamura**  
 President and  
 Chief Executive Officer

### TOPICS

#### Utilization of Leading-Edge Technologies in Home Remodeling



Since October 2016, we have been using wearable terminals (smart glasses) for the investigation of fire insurance claims to homogenize service quality and expedite fire insurance payments. In May 2018, we began using drones to diagnose buildings rapidly and with a high degree of precision. Aiming to enhance our reputation among customers even further through the provision of high-quality home remodeling services, we will continue exploiting ICT and digital technologies.

## SOMPO WARRANTY

As a professional extended warranty company, Sompo Warranty Inc. seeks to create a society in which consumers can use any product safely and with peace of mind. Based on lofty ethical standards, this company develops, provides, and operates reliable warranty programs in a wide variety of product categories.

### Sompo Warranty Inc.

**Establishment:** August 2009  
**Capital:** ¥95.0 million  
**Shareholder:** Sompo Holdings (100%)  
**Head office:** 12th Fl., Marunouchi Trust Tower Main, 8-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan  
**URL:** <https://www.sompo-swt.com/>

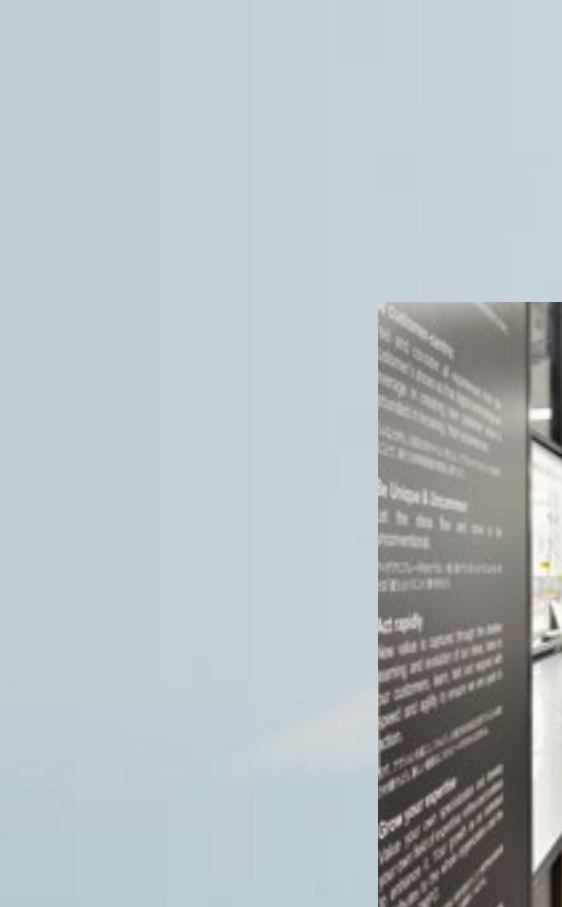


**Kyu Tamura**  
 President and  
 Chief Executive Officer

### TOPICS

#### Development of the Home Equipment Warranty Business in Earnest

In the home-related business field, which includes home equipment and gas equipment, there is a growing need for extended warranty systems. Therefore, we are accelerating the development of the home equipment warranty business, which is likely to see market expansion. In conjunction with our current mainstay business for home electronics extended warranties, we will provide services that cater to the needs of various companies.



# Group Management Foundation



# HR Strategy



**Satoshi Kasai**

Group CHRO  
Managing Executive Officer

The Sampo Holdings Group is growing through Group-wide human resource measures that capitalize on the expertise and experience of its diverse approximately 80,000-strong workforce, which comprises employees with different nationalities, genders, experience, and ages. In an era of volatility, uncertainty, complexity, and ambiguity (VUCA), diversity of human resources is the driving force of business development for the future. Under the slogan “Diversity for Growth,” we aim to become a corporate group in which a diverse array of people can play active roles.

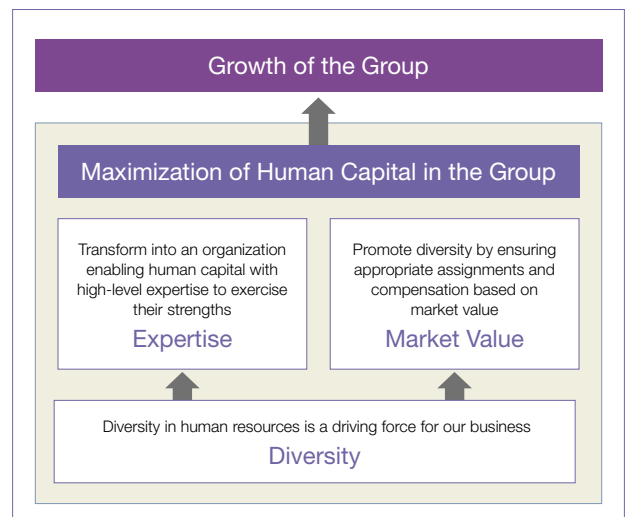
## ■ Group HR Strategy

In this era of VUCA, it is crucial to generate new ideas without getting caught up in past practices and to make rapid decisions in regard to the challenges we face.

Given such conditions, the most important human resource strategy for the Group is to ensure that its business management benefits from the expertise and experience of a diverse approximately 80,000-strong workforce, which consists of employees with different nationalities, genders, experience, and ages.

The human resource strategy that we have been implementing in earnest since 2015 is laterally unifying human resource management, which we used to conduct on a country or business basis. We will become a corporate group in which—regardless of nationality, gender, experience, or age—talented personnel can contribute in a range of fields on a Group-wide basis.

To benefit from the contributions of diverse personnel, we have built a human resource platform for the Group-wide management of a variety of human resource information and systems. This effort has made all of the key positions in the Group visible, established common evaluation criteria, and made human resource information accessible through a new human resource system. The Group will utilize this platform to find talented personnel who can perform across organizational boundaries within the Group. We will then encourage further growth by extending the scope of their work through appropriate and timely assignments to positions straddling countries or businesses. In this way, we will become a corporate group that empowers talented personnel.



## ■ Diversity

To become a group where diverse human resources with different nationalities, genders, types of experience, and ages can leverage their strengths, we are proactively promoting diversity in management, personnel exchange among Group



companies, and the empowerment of female employees.

To promote diverse management, we have appointed two female outside directors and one Audit & Supervisory Board member. Moreover, we have assigned executives from outside of the Group, including a non-Japanese executive director who is an expert in law and has extensive experience of M&A in the insurance industry and an executive director who has expertise in the IT and digital fields. Further, in fiscal 2017 we decided to consolidate all overseas businesses under the leadership of John R. Charman, who is the Chairman and CEO of Sompo International Holdings Ltd. (formerly Endurance Specialty Holdings Ltd.), a new member of the Group. These appointments are a testament to the Group's approach of assigning important positions to the best personnel for its businesses regardless of nationality.

We are active not only in relocating personnel among domestic Group companies but also in promoting personnel exchange with overseas Group companies. Previously, we only dispatched employees in one direction—sending Japanese

employees from Japan to overseas Group companies. Now, however, we assign personnel from overseas Group companies to various divisions in Japan through the Group Exchange Program, which we launched in fiscal 2014. Through the end of fiscal 2017, a total of 45 employees from overseas Group companies had worked in various divisions in Japan and contributed to the globalization of our headquarters in the country.

Further, we aim to have female employees account for 30% of management positions by the end of fiscal 2020. To this end, we have, among other initiatives, created a female manager development program, the Business Management School for Women, and also actively promote female employees to management positions. These initiatives have earned favorable recognition from various quarters: the Group has received the Prime Minister's Award to Commend Leading Companies Where Women Shine and been designated as a Nadeshiko Brand. We are stepping up efforts to increase gender diversity. For example, in March 2018 we established an in-house day-care center for children, SOMPO KIDS PARK.

## ■ Development of Globally Competent Leaders

In order to develop human resources capable of leading our Group's future management on a global basis, we provide training for selected employees in each rank.

We provide a training program for young employees: the Overseas Short-Term Training Program, MBA programs in Japan and overseas, and the in-house SOMPO Global University (SOMPO GU), which operates in partnership with the National University of Singapore Business School. Established in October 2012, the aim of SOMPO GU is the acquisition of management knowledge and the facilitation of experience of collaborating with a variety of people. The program includes not only classroom training but also emphasizes practical training through the ALP (Action Learning Project), through which trainees propose solutions to challenges given by CEOs from around the world.

Since its establishment through fiscal 2018, a total of 140 people from 15 countries have participated in this program. On a Group-wide basis, we are fostering globally competent human resources who, regardless of nationality, have

broadened their perspectives through discussions with diverse personnel and acquired fundamental business management knowledge. For middle-ranking employees, we established the Global Leadership Program in fiscal 2017. Aiming to cultivate broader viewpoints befitting future managers, the program includes discussions with the Group's CEO. Moreover, we conduct all parts of the program that are focused on liberal arts and case studies in English. Further, we plan to establish the GEP (Global Executive Program) for senior employees during the current fiscal year.

Using the personnel that we have fostered, we will continue to allocate the right people to the right positions at the right time to enhance Group-wide competitiveness.



SOMPO Global University course held in 2018 ; Participants numbered 21, from 10 countries

## TOPICS

As part of efforts to realize an environment in which those with disabilities can use their talents while working, we established SOMPO Challenged Inc. in April 2018. Through the new company, we will create workplaces that give more people with disabilities a real sense of job satisfaction and growth.



The founding members of SOMPO Challenged

# Digital Strategy



**Koichi Narasaki**

Group CDO  
Managing Executive Officer

**If new technologies threaten to destroy our business, it would be better to destroy and then rebuild it ourselves. This belief drives us to promote digital innovation across the Group. Accordingly, we are pursuing Group-wide innovation by leveraging the power of digital technologies—one of the Group’s core competencies—with the aim of creating new customer experiences.**

## ■ Four Important Themes for Utilizing Digital Technologies

In our digital strategy, we aim to intensively and dynamically utilize digital technologies, which are evolving at an exponential speed, in Group operations. The evolution of technologies could bring about changes dramatically not only in the business processes of insurance companies but also in customers, business models, and the environment. We have set four goals for our digital strategy.

### 1. Business Efficiency in All Segments

Utilize artificial intelligence (AI) and other new technologies to raise productivity and efficiency

### 2. Enhancement of Customer Contacts

Develop products and services that enhance customer experiences by utilizing the Internet of Things (IoT)

### 3. Marketing for Digital Native Generation

Develop products and services that will be chosen by the so-called digital natives

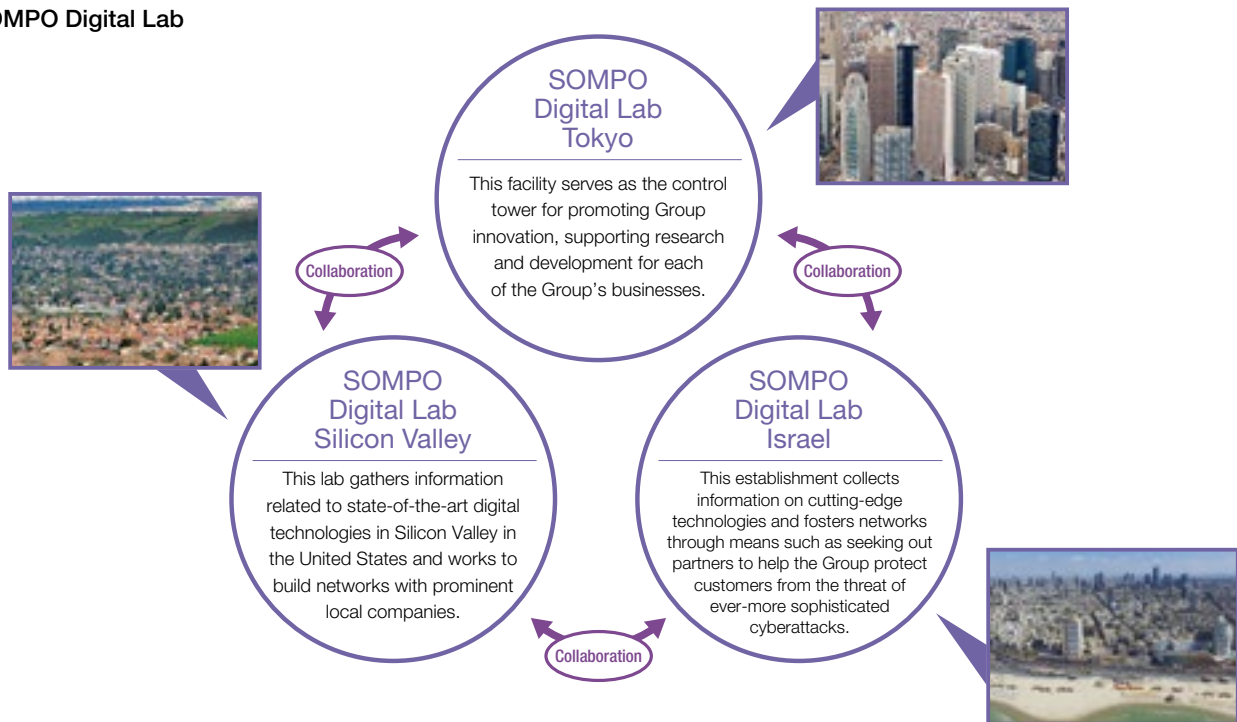
### 4. New Business Models Utilizing Digital Technologies

Create new business models based on digital technologies

## ■ Initiative Results

The Sompo Holdings Group is actively conducting verification tests and proof-of-concept trials regarding digital technologies. These efforts enabled us to implement the “AI Voice Recognition System” at the insurance service bases of Sompo Japan Nipponkoa in fiscal 2017. In addition, we have introduced AI technologies for providing swift and highly satisfying responses to various inquiries, such as the *Oshiete! SOMPO* service that responds to questions from sales branches to back-office divisions. We are also introducing insurance underwriting automation and other services that contribute to business efficiency. At the same time, we are providing various products and services that create more valuable customer experiences through the use of Internet of Things (IoT) devices. One such offering would be DRIVING! Living with a Car, a service that utilizes driving monitors equipped with functions supporting safe driving. Of the 42 proof-of-concept trials we have undertaken so far, 10 have been transformed into actual services at Group companies, two of which are currently in the full-fledged development stage. Moreover, we entered into the cybersecurity business in January 2018. We were able to embark on this new journey thanks to the successes of the new business model R&D activities we have advanced thus far.

## SOMPO Digital Lab



## TOPICS

### Adoption of Sophisticated Technologies and Construction of Edge AI Center

We are increasingly seeing IoT technologies being utilized in various fields and industries to accumulate big data comprising sensor, voice, video, and other data so that this big data can be analyzed through AI technologies and then put to use in business activities. However, this trend is creating massive increases in the amounts of data collected and the computing resources required to analyze said data. Accordingly, there is a rising need to develop optimal systems and network architecture in order to minimize the burden of such analyses on networks and to prevent processing delays. At the Sampo Holdings Group, we have developed a cloud server that enables joint storage of data from Nippon Telegraph and Telephone East Corporation and Sampo Systems Inc. We have also constructed an AI center, known as the Edge AI Center, for processing data via AI technologies with minimal network burden and delays.

Sampo Japan Nipponkoa has already developed and released a service that is provided through this AI center. Named *Kasha-Raku Mitsumori*, this application can seamlessly perform procedures spanning from the preparation of insurance estimates to contracting on a paperless basis. The application functions by automatically reading the automobile insurance policies and maintenance vouchers of customers from photographs taken using tablet cameras and then sending this information to our insurance premium calculation system.



### Development of Proprietary AI System Using Voice Big Data

In February 2018, Sampo Japan Nipponkoa introduced the "AI Voice Recognition System" at the approximately 10,000 desks of its roughly 300 insurance service bases located throughout Japan. Use of this system is anticipated to help us improve the quality of our insurance services while also increasing work efficiency. Furthermore, the data collected through this system will be used in research of an AI model for providing customer service of impeccable quality. This model will merge the superior phone response skills of our employees with the algorithms we have made by compiling the shared characteristics of high-level responses based on big data analysis of past call records.

# IT Governance



**Masahiro Hamada**

Group CIO  
Director, Managing Executive Officer

**We will establish competitive edges in each business that help improve the corporate value of the entire Group by building a consistent governance system at home and abroad, properly addressing ever-growing cyber risks, and utilizing rapidly advancing digital technologies.**

## ■ Business Value Creation through IT

The Group's IT strategy involves optimally controlling system costs and risks and building IT systems that contribute to achieving the management goals of each business.

Building on the achievements of past initiatives, we are taking on the following four challenges in order to improve corporate value across the entire Group more than ever, by supporting new business development.

### 1. Improve and Redesign the IT Governance Framework

Evolving the IT systems of Group companies requires processes based on the regulations of each country and industry in which we operate. Sampo has created an IT governance framework by advancing development, including other management processes, in line with international standards while complying with relevant regulations.

Aiming to maintain and improve this framework, we will work on improving and redesigning it along with updates to the governance system for the entire Group.

### 2. Enhance Responsiveness to Cyber Risks

We have set up Sampo Holdings CSIRT\* to respond to ever-growing cyber risks by enhancing the alertness of each Group company and collecting and sharing external information. In the event of a cyber incident, we will support Group companies respond to the identified cyber incident.

Sampo aims to increase the sophistication of its responses to cyber incidents by utilizing the latest technologies while collecting and sharing key information.

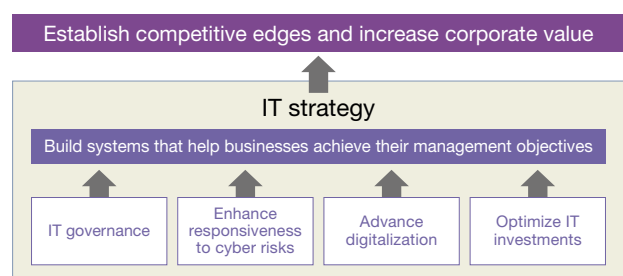
\* Computer Security Incident Response Team (see page 89 for details)

### 3. Advance Digitalization

While coordinating with the Group chief digital officer (CDO), we are moving our digital strategy forward by reinforcing the IT departments of each Group company and assisting them with changes to their system architectures, with the aim of having a meaningful impact on the operations of Group companies through advanced digital technologies.

### 4. Optimize IT Investments

We will train and optimally assign IT personnel throughout the Group while aiming to generate synergies through the commonization of systems and the joint procurement of hardware and software. By optimizing IT investments, we aim to reduce system costs and risks while increasing the corporate value of each business and the Group as a whole.



# Brand Strategy



**Kiyoshi Aoki**  
Group CBO  
Executive Officer

Our brand strategy aims to nurture a brand that brings to mind a “theme park for the security, health and wellbeing of customers” whenever the Sompo name is heard. By instilling a corporate culture in the Group that places importance on brands, we are making concerted efforts to enhance the value of the SOMPO brand and help improve earnings in each business. As the transformation of the Group progresses, we aim to increase corporate value by spreading the SOMPO brand and strengthening collaboration among our businesses around the world.

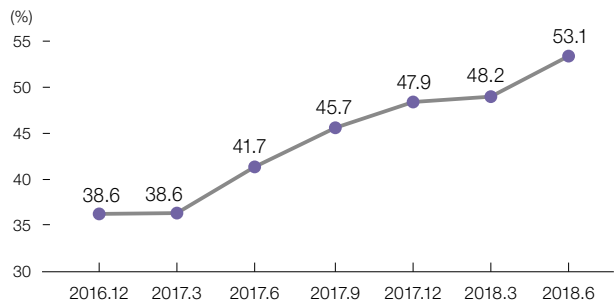
## ■ Initiatives to Increase Brand Value

In order for the Sompo Holdings Group to realize a “theme park for the security, health, and wellbeing of customers,” it must have a brand strategy that improves awareness and associates the Group with the “security, health, and wellbeing of customers,” by having as many customers as possible *experience* the products and services provided by each business.

After changing our name to Sompo Holdings in October 2016, we have worked hard to increase recognition of our brand by imbuing it with a sense of unity and consistency as a group for our employees, customers, and society as a whole.

In order to enhance the value of our brand further, we believe it is necessary to increase the dissemination of information after strengthening the linkage of Sompo to each business and product brand. With this in mind, we are quickly coordinating initiatives with Group companies around the world and creating a system for disseminating information in countries across the globe.

### Recognition of the Sompo Holdings Company Name



Note: Based on an external survey commissioned by the Company

### Brand value

Fiscal 2016	\$370 million (#35)
Fiscal 2017	\$409 million (#27)

Note: Brand value and rankings are based on a survey conducted by Interbrand Japan. Reprinted from Interbrand's Japan's Best Domestic Brands 2018 (companies with overseas sales ratios under 30%)

In addition to non-financial information, we have been disclosing information on Group strategies that create value by solving social issues through our transformation into a “theme park for the security, health, and wellbeing of customers,” while aligning them to a constant awareness of social issues and changes in the global environment, such as those defined by the SDGs and ESG.

Note: See page 38 for details about ESG initiatives.



# Strategic Risk Management (ERM)



**Masato Fujikura**

Group CRO  
Director, Managing Executive Officer

**The Sampo Holdings Group utilizes Strategic Risk Management (ERM) as a compass to guide the Group in building a “theme park for the security, health, and wellbeing of customers.” In response to increasingly diversified and complicated risks, we will continue to enhance Strategic Risk Management to increase corporate value.**

## ■ Strategic Risk Management (ERM)

### 1. Strategic Risk Management in Business Activities

As risks become more diversified and complex, insurance companies are required to strategically utilize risk management in business decisions, rather than just taking a conventional passive approach. The Sampo Holdings Group utilizes Strategic Risk Management as a management process for increasing corporate value while achieving a balance between capital, risks, and returns, which is also referred to as “Enterprise Risk Management.” There are two aspects of this Strategic Risk Management; one is proactive management that contributes to the execution of strategies and the other is protective management for controlling risks.

Strategic Risk Management is not only to be promoted by management. We recognize that ideal Strategic Risk Management can be accomplished only if all the frontline employees practice Strategic Risk Management in their day-to-day work in respective fields. Accordingly, we will continue efforts to cultivate a Group-wide risk culture that will support such risk awareness.

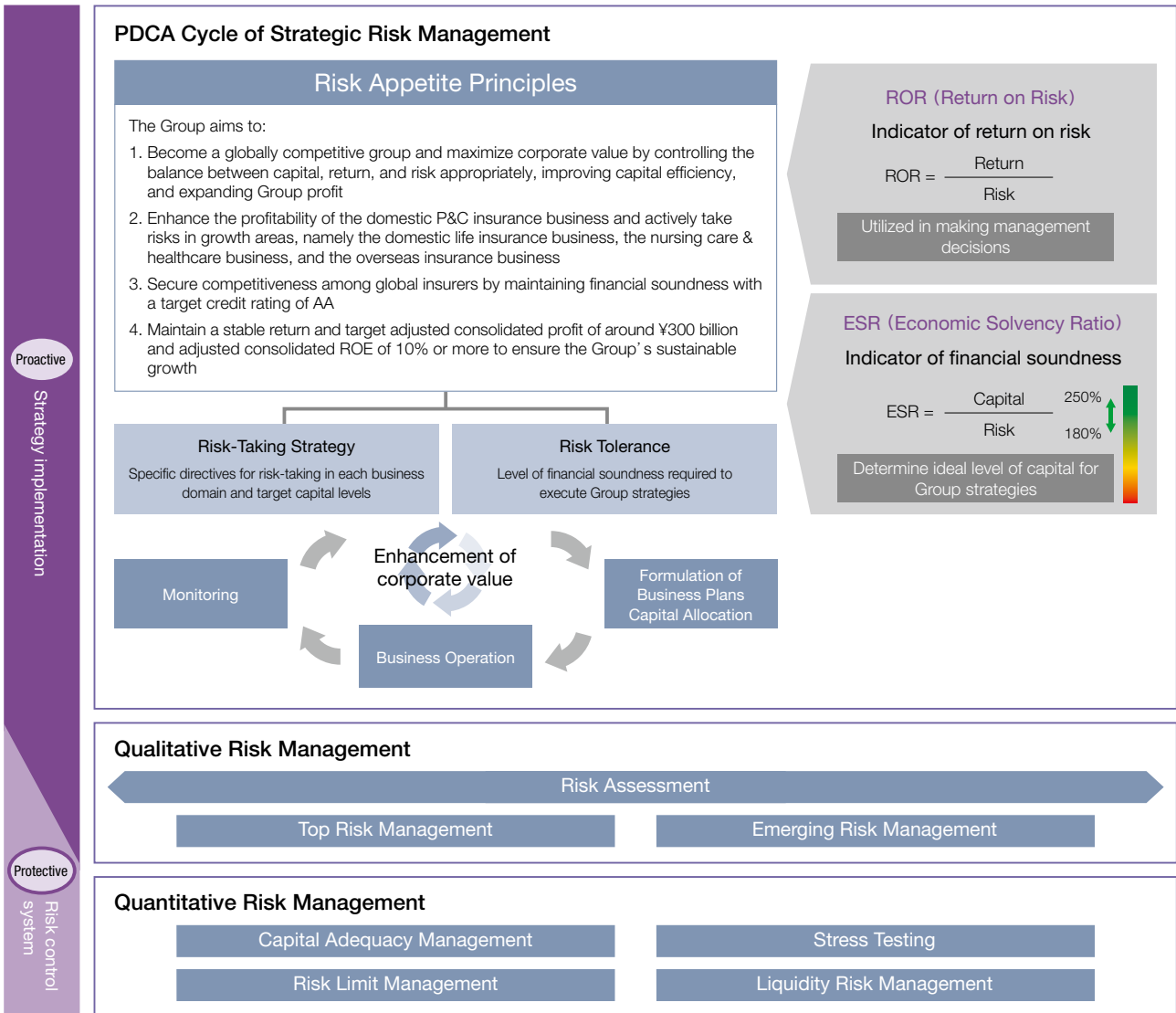
#### (1) Proactive Risk Management in Business Decisions

The most noteworthy example of proactive risk management can be seen in our business planning framework. We have established the “Group Risk Appetite Statement,” which serves as a guideline for risk-taking. We have constructed and implemented a PDCA cycle (an iterative four-step management plan-do-check-act cycle) for Strategic Risk Management to operate our business. Each business unit formulates a business plan in accordance with the “Group Risk Appetite Statement.” The Group analyzes quantitative indicators, such as Group-wide capital efficiency (ROE), financial soundness (ESR), and return on risk (ROR), and uses this information to determine the optimal business plan from a Group-wide perspective and to allocate capital accordingly.

Indicators such as ROE, ESR, and ROR are also used when making decisions regarding individual strategies in order to help the Group maintain financial soundness and enhance profitability. These indicators are also utilized in the operations of specific businesses and divisions. We thereby endeavor to embed Strategic Risk Management as a Group-wide practice that goes beyond risk management divisions to contribute to the enhancement of corporate value.

#### (2) Protective Risk Control System

The Sampo Holdings Group has developed a robust risk control system that incorporates both qualitative and quantitative elements in order to minimize unforeseen losses in its operations. ESR is a particularly important indicator for protective risk control as we quantitatively measure the potential impact of various risks on ESR to ensure financial soundness.



**(3) Risk Management Culture Underpinning Strategic Risk Management**

We strive to cultivate a corporate culture that encourages all employees of the Group to practice risk management by providing training sessions as well as various risk-related materials tailored to different businesses and levels of employees. We endeavor to entrench this culture throughout our organization by increasing the opportunities for employees to be exposed to Strategic Risk Management.

**2. Examples of the Utilization of Strategic Risk Management**

Strategic Risk Management is widely utilized for making management decisions within the Group.

**(1) Utilization in Insurance Product Development and Management**

ROR is evaluated, with consideration to the characteristics of each insurance business, when setting insurance premiums in product development and managing the profitability of products after launch. The ROR of each product line is also

utilized in structuring ceded reinsurance schemes, sales strategies, and marketing budgets in addition to being used in product management.

**(2) Quantification of Nursing Care Business Risks**

We have developed and implemented a unique nursing care business risk model for simulating profit fluctuations based on the profit structure of the nursing care business. Risks quantified through our model are combined with risks associated with insurance and asset management to verify the potential impacts on Group-wide financial soundness.

**(3) Evaluations of Risks in M&A Transactions**

Decisions regarding M&A transactions and other new business investments are made based on comprehensive evaluations of investment benefit and on due diligence. As part of these evaluations, we assess the appropriateness of investments from a Strategic Risk Management perspective looking at the potential impact on Group-wide capital efficiency (ROE), financial soundness (ESR), and return on risk (ROR) should the investments be executed.

### 3. Risk Control System

#### (1) Top Risk Management

Top risks are defined as “risks that may have significant impact on the Group.” A risk owner (officer class) is appointed for each risk and he/she is responsible for implementing countermeasures and managing processes.

Top risks are selected through both a top-down approach, which is based on the recognition of the business environment by the management and outside directors, and a bottom-up approach, which is based on risk assessments performed at the front lines of operations.

#### (2) Emerging Risk Management

Emerging risks are defined as “risks that could materialize or change due to changes in the operating environment and other factors and may exert significant impact on the Group in the future.” Emerging risks are identified based on risk assessment, reports from external institutions, and other measures, and selected by a specialized team headed by the Group CRO, based on the operating environment outlook, to be managed appropriately.

It is important to consider emerging risks in terms of not only mitigating losses but also future business opportunities, such as development of new insurance products and services. We are thus monitoring, researching, and studying emerging risks on a Group-wide basis.

#### (3) Capital Adequacy Management

We quantify the risks we are exposed to by using value at risk (VaR), a unified risk indicator, to maintain a sufficient level of capital in comparison to risks. Frameworks are in place to implement appropriate measures to accomplish this objective.

#### (4) Stress Testing

To accurately understand and manage events having a major impact on the Group, scenario stress testing, reverse stress testing, and sensitivity analyses are conducted on a Group-wide basis to analyze the degree of impact on capital and risk. A system has been established to implement countermeasures if necessary.

#### (5) Risk Limit Management

To avoid huge losses due to the occurrence of specific events, we have set Group-wide limits that are consistent with risk tolerance with regard to credit risks, reinsurance counterparty risks, and overseas natural catastrophe risks. Risks are managed to ensure that they do not exceed these limits.

#### (6) Liquidity Risk Management

The Group manages liquidity risks by projecting daily financing requirements as well as the greatest possible cash outflows that could result from incidents such as large-scale natural disasters and by securing the necessary liquid assets to meet such funding needs.

## Strategic Risk Management (ERM) Development

Our risk portfolio is undergoing significant transformation due to our entry into the nursing care business and the expansion of our overseas insurance business. We recognize the need to continuously evolve our Strategic Risk Management to address the more diversified and complex risks.

The Group is therefore constructing an ERM framework that is truly integrated on a global basis in order to facilitate the further evolution. ERM staff have already been positioned at our major overseas hubs, and these individuals coordinate and discuss with the management and the CRO to work together

in promoting and improving Strategic Risk Management.

In integrating our ERM framework with Sompo International, we hold ongoing discussions between the management of both parties to better coordinate our operations through the mutual sharing of expertise. Moreover, we are consolidating and further enhancing the Group’s expertise with regard to developing more sophisticated natural catastrophe risk management, constructing a cyber risk management framework, and other matters.



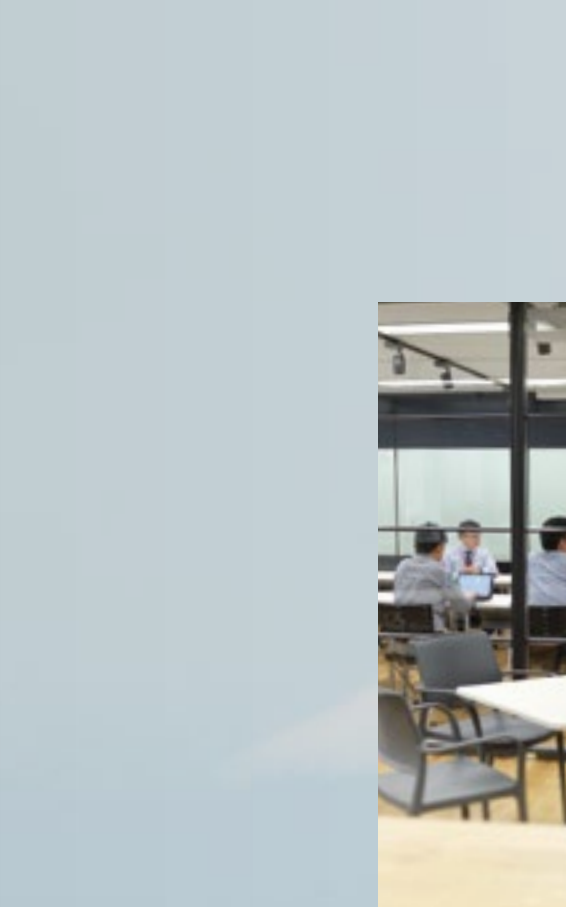
### Sompo Holdings’ ERM Evaluation by Standard & Poor’s

On April 26, 2018, S&P Global Ratings Japan Inc. raised its evaluation of ERM of Sompo Holdings by one level, from “adequate with strong risk controls” to “strong.”

We believe that this evaluation is a reflection of our continuous and widespread use of ERM practices in making Group management decisions.

#### ERM Evaluation by Standard & Poor’s

1. Very Strong
2. Strong
3. Adequate with strong risk controls
4. Adequate
5. Weak



# Corporate Information

## ■ Directors

(As of July 1, 2018)



Group Chief Executive Officer  
Representative Director,  
President and Executive Officer

### Kengo Sakurada

(DOB: Feb. 11, 1956)

#### Summarized resume

Joined The Yasuda Fire & Marine Insurance Co., Ltd., in April 1978

In addition to his experience in business integration, business alliances, corporate planning, sales, and systems in the P&C insurance business, he has experience working at international financial institutions. He became representative director and president of Sompo Japan Insurance Inc. in 2010 and assumed the position of representative director and president of the Company in 2012. He has been Group CEO (chief executive officer) and responsible for overall management of the Group's operations since July 2015.



Group Chief Financial Officer  
Representative Director, Deputy President  
and Senior Managing Executive Officer

### Shinji Tsuji

(DOB: Dec. 10, 1956)

#### Summarized resume

Joined The Yasuda Fire & Marine Insurance Co., Ltd., in April 1979

Thanks to his experience in accounting, public relations, CSR, and sales in the P&C insurance business, he was responsible for the corporate management of Group companies as well as accounting and finance at the Company. He became representative director of the Company in 2014. He has been Group CFO (chief financial officer) and responsible for overall management of finance since April 2017.



Group Chief Risk Officer  
Director, Managing Executive Officer

### Masato Fujikura

(DOB: Sep. 26, 1958)

#### Summarized resume

Joined The Yasuda Fire & Marine Insurance Co., Ltd., in April 1981

In addition to his background in overseas businesses, reinsurance (risk management), finance, product development, and sales in the P&C insurance business, he has experience managing overseas subsidiaries. He was responsible for the overseas insurance business, risk management, and legal affairs at the Company. He became a director of the Company in 2016. He has been Group CRO (chief risk officer) and responsible for the Group's overall risk management, internal control, and internal auditing since April 2017.



Nursing Care & Healthcare Business Owner  
Director, Managing Executive Officer

### Mikio Okumura

(DOB: Nov. 23, 1965)

#### Summarized resume

Joined The Yasuda Fire & Marine Insurance Co., Ltd., in April 1989

In addition to his experience in corporate planning and his involvement with overseas businesses in the P&C insurance business, he has managed an overseas subsidiary and an investment bank. He was responsible for corporate planning and the nursing care & healthcare business at the Company. He became a director of the Company and a representative director of a subsidiary that manages the nursing care business in 2016. He has been the Business Owner of the nursing care & healthcare business since April 2017. He is responsible for overall management of said business and for the management of Sompo Care Inc. as its representative director and chairman.



Overseas Insurance Business Owner  
Director, Managing Executive Officer

### Junichi Tanaka

(DOB: May 9, 1961)

#### Summarized resume

Joined The Yasuda Fire & Marine Insurance Co., Ltd., in April 1984

In addition to his experience in overseas businesses, sales promotion and planning, and sales in the P&C insurance business, he has experience managing overseas subsidiaries. He was responsible for the overseas insurance business at the Company and became an executive officer of the Company in 2014. He has been the Business Owner of the overseas insurance business and responsible for overall management of said business since April 2018. He became a director in June 2018.



Group Chief Strategy Officer and  
Group Chief Information Officer  
Director, Managing Executive Officer

### Masahiro Hamada

(DOB: Dec. 18, 1964)

#### Summarized resume

Joined The Yasuda Fire & Marine Insurance Co., Ltd., in April 1988

With his experience in business integration, corporate planning, accounting, product development, and sales in the P&C insurance business, he was responsible for corporate planning and new business development at the Company. He became an executive officer of the Company in 2016. He has been Group CSO (chief strategy officer) and Group CIO (chief information officer) of the Company and responsible for overall management of the Group's strategies and IT since April 2018. He became a director in June 2018.



## Directors

(As of July 1, 2018)



Domestic P&C Insurance Business Owner  
Director

### Keiji Nishizawa

(DOB: Feb. 11, 1958)

#### Summarized resume

Joined The Yasuda Fire & Marine Insurance Co., Ltd., in April 1980

Based on his experience in corporate planning, human resources, product development, sales, claims handling, and IT systems in the P&C insurance business, he was responsible for new business development and the domestic P&C insurance business at the Company. He became a director of the Company in 2012. He has been the Business Owner of the domestic P&C insurance business of the Company since April 2017. He is responsible for overall management of the said business and for the management of Sompo Japan Nipponkoa Insurance Inc. as its representative director, president and chief executive officer.



Domestic Life Insurance Business Owner  
Director

### Yasuhiro Oba

(DOB: Sep. 30, 1965)

#### Summarized resume

Joined The Yasuda Fire & Marine Insurance Co., Ltd., in April 1988

In addition to his experience in overseeing human resources and sales in the P&C insurance business, he has experience in corporate planning in the life insurance business. He was responsible for the domestic life insurance business at the Company. He has been the Business Owner of the domestic life insurance business of the Company since April 2018. He has been responsible for overall management of the Group's domestic life insurance business and for the management of Sompo Japan Nipponkoa Himawari Life Insurance, Inc., as its representative director, president and chief executive officer since April 2018. He became a director in June 2018.



Outside Director

### Sawako Nohara

(DOB: Jan. 16, 1958)

#### Attendance at Board of Directors meetings (fiscal 2017)

All 14 Board of Directors meetings

#### Significant positions concurrently held

President of IPSe Marketing, Inc.  
Project Professor of the Graduate School of Media and Governance, Keio University  
Member of the Board of Nissha Co., Ltd. (Outside Director)  
Director of JAPAN POST BANK Co., Ltd. (Outside Director)  
Auditor of Tokyo Gas Co., Ltd., (Outside Auditor)

#### Reasons for appointment

With her abundant experience as a company manager and broad knowledge of the IT industry, as well as deep insight gained through participation in policymaking during her term as an officer in government-related committees, including as a private-sector member of the Industrial Competitiveness Council, she is expected to provide appropriate advice on the management of the Company from diversified and professional perspectives. Further, she is expected to provide valuable advice on the initiative on women's empowerment in the workplace, which is one of the most important strategies of the Company. She has been in her current position since June 2013.



Outside Director

### Isao Endo

(DOB: May 8, 1956)

#### Attendance at Board of Directors meetings (fiscal 2017)

All 14 Board of Directors meetings

#### Significant positions concurrently held

Chairman of Roland Berger Ltd.  
Director of Ryohin Keikaku Co., Ltd. (Outside Director)  
Director of Nisshin Steel Co., Ltd. (Outside Director)

#### Reasons for appointment

With his broad insight based on his practical experience at a global consulting firm and academic knowledge as a graduate school professor as well as abundant experience as a company manager, he is expected to provide appropriate advice on the management of the Company, especially based on deep and diversified perspectives gained through his practical research on *Gemba Power*. He has been in his current position since June 2014.



Outside Director

### Tamami Murata

(DOB: Jan. 18, 1960)

#### Attendance at Board of Directors meetings (fiscal 2017)

All 14 Board of Directors meetings

#### Significant positions concurrently held

Attorney at Law

#### Reasons for appointment

She has abundant knowledge and experience as a legal expert. Based on her expertise resulting from this knowledge and experience, she is expected to provide appropriate advice on the management of the Company. Further, she is expected to provide valuable advice on the initiative on women's empowerment in the workplace, which is one of the most important strategies of the Company. She has been in her current position since June 2014.



Outside Director

### Scott Trevor Davis

(DOB: Dec. 26, 1960)

#### Attendance at Board of Directors meetings (fiscal 2017)

All 14 Board of Directors meetings

#### Significant positions concurrently held

Professor of the Department of Global Business, College of Business, Rikkyo University  
Member of the Board of Bridgestone Corporation (Outside Director)

#### Reasons for appointment

With his broad knowledge as an erudite scholar, he is expected to provide appropriate advice on the management of the Company, especially through his research on strategic management and CSR at the university. Moreover, he is expected to provide diversified advice from global perspectives. He has been in his current position since June 2014.

### ■ Executive Officers

(As of July 1, 2018)



Managing Executive Officer

**Nigel Frudd**

(DOB: Oct. 4, 1958)

Overseas business strategy



Group Chief Human Resource Officer  
Managing Executive Officer

**Satoshi Kasai**

(DOB: Dec. 22, 1962)



Group Chief Digital Officer  
Managing Executive Officer

**Koichi Narasaki**

(DOB: Jan. 4, 1958)



Group Chief Brand Officer  
Executive Officer (General Manager,  
Corporate Communications Department,  
General Manager, Corporate Social  
Responsibility Department)

**Kiyoshi Aoki**

(DOB: Feb. 2, 1964)



Executive Officer

**Yuji Kawauchi**

(DOB: Dec. 24, 1965)

Overseeing the South Asia & Pacific and  
the China & East Asia regions



Executive Officer  
(General Manager, Global Business Planning  
Department)

**Shinichi Hara**

(DOB: Apr. 14, 1965)



Executive Officer  
(General Manager, Accounting Department)

**Yasunori Kuroda**

(DOB: Aug. 17, 1963)



Executive Officer  
(General Manager, Innovation for Aging &  
Wellness Department)

**Takuto Kobayashi**

(DOB: Nov. 22, 1965)



Executive Officer

**Katsuyuki Tajiri**

(DOB: Oct. 8, 1967)

Responsible for Sampo International  
Holdings Group



Executive Officer  
(General Manager, Office of Group CEO)

**Takato Udo**

(DOB: Aug. 4, 1962)

## Audit & Supervisory Board Members

(As of July 1, 2018)



Audit & Supervisory Board Member  
(Full-Time)

**Masaki Hanawa**

(DOB: Feb. 16, 1958)

### Summarized resume

Joined The Yasuda Fire & Marine Insurance Co., Ltd., in April 1981

He has extensive insight into business management generally stemming from his experience in corporate planning as well as accounting and finance in the P&C insurance and life insurance businesses. He became an executive officer of Sampo Japan Insurance Inc. in 2010 and a director of said company in 2014. He has been in his current position since June 2016.



Audit & Supervisory Board Member  
(Full-Time)

**Hidenori Hanada**

(DOB: Aug. 15, 1958)

### Summarized resume

Joined The Nippon Fire & Marine Insurance Co., Ltd. in April 1981

He has deep insight with respect to the fields of finance and accounting as a result of many years of experience in the accounting section of the domestic P&C insurance business. He became an executive officer of the Company and Sampo Japan Nipponkoa Insurance Inc. in 2016. He has been in his current position since June 2018.



Outside Audit & Supervisory Board Member

**Naoki Yanagida**

(DOB: Feb. 27, 1960)

### Attendance at Board of Directors meetings (fiscal 2017)

All 14 Board of Directors meetings

All 13 Audit & Supervisory Board meetings

### Significant positions concurrently held

Attorney at Law

Director of Alpine Electronics, Inc. (Outside Director, Audit & Supervisory Committee Member)

Audit & Supervisory Board Member of YKK CORPORATION (Outside Audit & Supervisory Board Member)

### Reasons for appointment

He has abundant knowledge and experience as a legal expert. His expertise based on this knowledge and experience is expected to benefit the Company's audits. He has been in his current position since June 2014.



Outside Audit & Supervisory Board Member

**Hideyo Uchiyama**

(DOB: Mar. 30, 1953)

### Attendance at Board of Directors meetings (fiscal 2017)

All 11 Board of Directors meetings

All 10 Audit & Supervisory Board meetings

### Significant positions concurrently held

Certified Public Accountant

Executive Advisor of ASAHI Tax Corporation

Audit & Supervisory Board Member of OMRON Corporation (Outside Auditor)

Director of Eisai Co., Ltd. (Outside Director)

### Reasons for appointment

He has abundant experience as a manager at one of Japan's leading auditing corporations and at a global consulting firm, in addition to his professional knowledge and experience as a certified public accountant. This abundant knowledge and experience is expected to benefit the Company's audits. He has been in his current position since June 2017.



Outside Audit & Supervisory Board Member

**Atsuko Muraki**

(DOB: Dec. 28, 1955)

### Attendance at Board of Directors meetings (fiscal 2017)

All 11 Board of Directors meetings

All 10 Audit & Supervisory Board meetings

### Significant positions concurrently held

Member of the Board of ITOCHU Corporation (Outside Director)

Director of Sumitomo Chemical Co., Ltd. (Outside Director)

### Reasons for appointment

She has a high level of knowledge and abundant experience based on her having held important posts such as Vice-Minister, Deputy Director-General, and Director-General of the Equal Employment, Children and Families Bureau in the Ministry of Health, Labour and Welfare as well as Director-General for Policies of the Cabinet Office. Her abundant knowledge and expertise are expected to benefit the Company's audits. She has been in her current position since June 2017.

## Corporate Governance

The Sampo Holdings Group continuously continually improving the transparency and fairness of its corporate governance and fulfilling its corporate social responsibility as essential to maintaining strong relations of trust with stakeholders.

The Group formulated its Corporate Governance Policy (<https://www.sampo-hd.com/en/company/governance/overview/policies/>) to clarify basic policies regarding the formation of the overall vision for the governance structure and the governance framework. We continue to improve our corporate governance and aim to establish optimal systems.

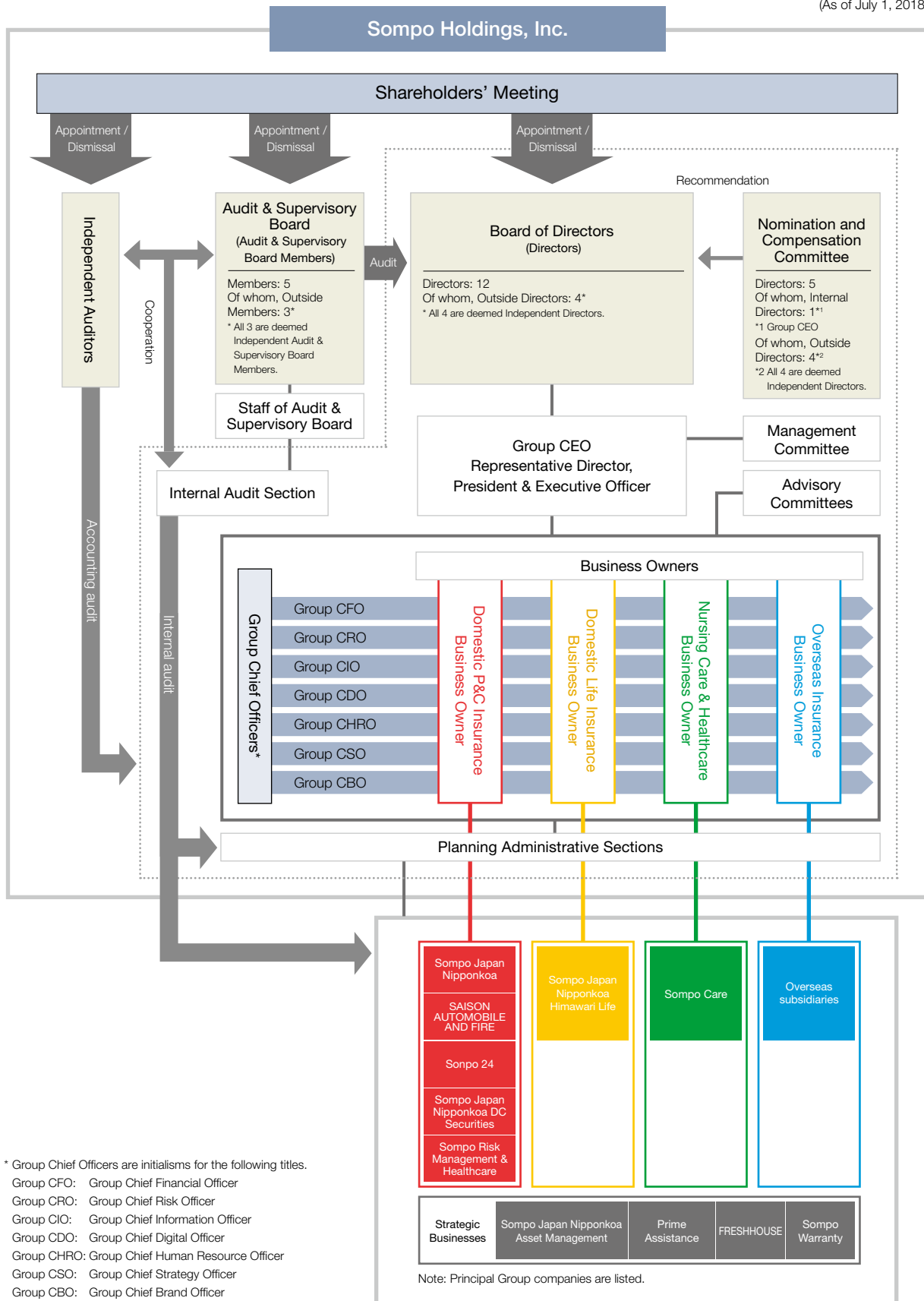
### Corporate Governance Overview

As of July 1, 2018

Organizational structure	Company with an Audit & Supervisory Board
Chairman of the Board of Directors	Kengo Sakurada (Group CEO, Representative Director, President and Executive Officer)
Number of directors	12, of whom 4 are outside directors
Number of Audit & Supervisory Board members	5, of whom 3 are outside Audit & Supervisory Board members
Board of Directors meetings (Fiscal 2017 results)	Held 14 times Attendance: 100% for directors, 98.6% for Audit & Supervisory Board members * Orientation meetings for outside directors are held in conjunction with Board of Directors meetings to ensure meetings of the Board of Directors operate effectively. * Please refer to page 84 for details regarding directors and Board of Directors meetings.
Audit & Supervisory Board meetings (Fiscal 2017 results)	Held 13 times Attendance: 98.5% * Please refer to page 84 for details regarding Audit & Supervisory Board members and Audit & Supervisory Board meetings.
Voluntary committee equivalent to nominating committee and compensation committee	Nomination and Compensation Committee * Comprising 5 committee members (4 outside directors, 1 internal director (Group CEO)) and chaired by an outside director * Please refer to page 84 for details regarding the Nomination and Compensation Committee.
Appointment of directors and Audit & Supervisory Board members	Formulates policies for appointment of officers through the resolution of the Board of Directors in light of advice from the Nomination and Compensation Committee, which functions as an advisory body to the Board of Directors * Please refer to page 85 for details regarding policies for appointment of officers.
Number of independent directors and independent Audit & Supervisory Board members	4 outside directors and 3 outside Audit & Supervisory Board members * All outside directors and outside Audit & Supervisory Board members are independent as defined by the Tokyo Stock Exchange. * Please refer to page 85 for information on standards regarding independence of outside directors and outside Audit & Supervisory Board members.
Determination of compensation, etc.	Formulates policies on decisions pertaining to compensation for officers through the resolution of the Board of Directors in light of advice from the Nomination and Compensation Committee, which functions as an advisory body to the Board of Directors * Please refer to page 86 for details regarding policies on decisions pertaining to compensation for officers.

Corporate Governance Structure

(As of July 1, 2018)



\* Group Chief Officers are initialisms for the following titles.  
 Group CFO: Group Chief Financial Officer  
 Group CRO: Group Chief Risk Officer  
 Group CIO: Group Chief Information Officer  
 Group CDO: Group Chief Digital Officer  
 Group CHRO: Group Chief Human Resource Officer  
 Group CSO: Group Chief Strategy Officer  
 Group CBO: Group Chief Brand Officer

Note: Principal Group companies are listed.



### Directors and the Board of Directors

The Board of Directors performs its duties as stipulated by law, establishes important items for management, and serves a supervisory function overseeing the conditions of business execution. The Board of Directors meeting, in principle, convenes on a monthly basis and comprises an appropriate number of members to realize swift decision-making.

Preliminary briefing sessions are held with outside directors to provide details about the discussion agenda with specific emphasis on the key agenda items. The integration of the Board of Directors meeting and preliminary briefing session, which includes communicating the opinions, questions, and other comments expressed by the outside directors at the preliminary briefing sessions to all attending directors before the Board of Directors meeting, is intended to facilitate constructive deliberations at the Board of Directors meeting and ensure the effectiveness of the Board of Directors operations. Steps including

convening meetings of the outside directors and the Group CEO are implemented to facilitate open exchange of opinions between the outside directors and the chief executive.

The Company's Board of Directors comprises 12 members, four of whom, or one-third, are outside directors. Current members include 11 Japanese nationals and 1 non-Japanese, and 10 men and 2 women. The directors apply their accumulated knowledge and experience to the key issues for the Company to realize the proper execution of fair and effective executive management.

To ensure full clarity of responsibility related to business matters in each fiscal year, a director's tenure ends at the close of the Ordinary General Meeting of Shareholders held within the latest fiscal year that is within one year of the appointment. Further, the average term of office of directors was 3.5 years as of the end of the 8th Ordinary General Meeting of Shareholders.

### Audit & Supervisory Board Members and Audit & Supervisory Board

Audit & Supervisory Board members audit the work performance of directors through such activities as auditing the construction and maintenance conditions of the Group internal control system and providing effective advice and recommendations to senior management that promotes the Group's sustainable growth and increases the corporate value over the medium-to-long-term. The Audit & Supervisory Board establishes the audit standards, basic policy on audits, and auditing programs to make the above auditing activities functional and effective and systematically conduct auditing operations.

The Audit & Supervisory Board sets an annual meeting schedule and endeavors to realize full participation of all members and coordinates activities. Such endeavors include distributing information materials before meetings to ensure members are fully prepared to conduct thorough reviews and deliberations.

The Company's Audit & Supervisory Board comprises five members, three of whom are outside members. Current members include five Japanese nationals—four men and one woman. Further, one of the full-time Audit & Supervisory Board members has many years of

experience in the Company's accounting section. Also, one of the outside Audit & Supervisory Board members is a certified public accountant with many years of working experience at an audit firm. This individual also possesses extensive knowledge of finance and accounting.

The Company has established the Staff of Audit & Supervisory Board to enhance the effectiveness of the Audit & Supervisory Board Members' audits and assigns exclusive personnel with the supplemental knowledge and experience to assist the Audit & Supervisory Board Members in carrying out their duties.

The Audit & Supervisory Board additionally commissions an external legal expert to serve as an advisor who is independent of the execution of operations to protect the interests of the Company and shareholders.

In accordance with the Companies Act, Audit & Supervisory Board members' term of office expires at the conclusion of the General Meeting of Shareholders in the final fiscal year that ends within four years of their appointment.

### Nomination and Compensation Committee

#### Role of the Nomination and Compensation Committee

The Nomination and Compensation Committee is established as an advisory body to the Board of Directors intended to improve transparency and fairness regarding director and executive officer nomination and Compensation.

The committee sets the director and executive officer appointment policy and appointment standards, determines individuals to propose as candidates, conducts director and executive officer evaluations and submits recommendations to the Board of Directors for director compensation amounts and the compensation structure, and contributes to the appointment and treatment of subsidiary directors based on the subsidiary business content and scope.

#### Involvement in the Performance Evaluation, Appointment, and Dismissal of the Group CEO and Executives

The duties (missions) of executive officers, including the Group CEO

and Business Owners, are clearly indicated based on a performance evaluation system for officers. Officers receive performance evaluations in relation to their progress in performing these duties. Annual decisions on the reappointment of officers reflect the results of these performance evaluations. With respect to individual performance evaluations of the Group CEO, only members of the Nomination and Compensation Committee who are outside directors conduct deliberations. The chairperson of the Nomination and Compensation Committee determines the performance evaluation, informs the Group CEO of the results, and reports to the Board of Directors. This process of regular deliberation by outside directors and the Group CEO about the roles and missions of the Group's senior management team and evaluation of progress in performing these roles and missions ensures the objectivity, timeliness, and transparency of the process for reappointing the Group CEO.

### Selection of Committee Members

The committee comprises members appointed from the Company's directors with outside directors representing the majority of members in order to ensure the independence and neutrality of the members. The

committee chairperson is an outside director elected by the committee members. At the time of the submission of this report, the committee comprises five members with four outside directors and one internal director (the Group CEO).

## Policies for Appointment of Officers

The appointment of directors, executive officers, and Audit & Supervisory Board members is conducted in accordance with the following policies for the appointment of officers. Directors and executive officers are nominated by the Board of Directors based on discussions with the Nomination and Compensation Committee.

Furthermore, in the event that the Board of Directors' appointment of an Audit & Supervisory Board member is determined by resolution at the General Meeting of Shareholders, an opportunity will be provided in advance for the Board of Directors to discuss the candidate with the Audit & Supervisory Board to seek its approval.

### (1) Policies for Appointment of Directors and Audit & Supervisory Board Members

The Company supervises and guides its subsidiaries, formulating management strategies for subsidiaries engaged mainly in the P&C insurance business, as well as comprehensive management strategies for the entire Group. The Company is responsible for the execution and realization of these strategies.

From this perspective, the Board of Directors appoints directors based on their familiarity with the Company's business, ensuring a balance between experience and achievements without bias for an area of specialization. To facilitate objective decision-making with

respect to management issues from a diverse and independent focus and perspective, the Board of Directors includes multiple outside directors with a wide range of knowledge and experience thanks to their backgrounds in corporate management, academia, and the legal profession.

The Audit & Supervisory Board consists of Audit & Supervisory Board members appointed on the basis of their solid knowledge of finance and accounting and in consideration of an overall balance of backgrounds in corporate management experience and the legal profession. Furthermore, the appointment of directors and Audit & Supervisory Board members is based on appointment criteria in consideration of Comprehensive Guidelines for Supervision of Insurance Companies.

The Group formulated outside director independence criteria as a standard for the appointment of outside directors and outside Audit & Supervisory Board members.

### (2) Policies for Appointment of Executive Officers

The Group formulated a "Desired profile for executive officers" and "Policies for the appointment of executive officers" to identify the basic skills and qualifications required and define the balance between experience and achievements when appointing executive officers. In compliance with the policies, executive officers are appointed.

## Standards Regarding Independence of Outside Directors and Audit & Supervisory Board Members

The Company has prescribed the "Standards Regarding the Independence of Outside Directors and Audit & Supervisory Board Members" by resolution of the Board of Directors based on the advice of the Nomination and Compensation Committee, an advisory body to the Board of Directors, and in accordance with the standards required by the Tokyo Stock Exchange. This information is disclosed via the corporate governance report.

Under the "Standards Regarding the Independence of Outside Directors and Audit & Supervisory Board Members," the Company will determine the independence from the Company of outside directors and outside Audit & Supervisory Board members based on the matters set forth below:

1. Personal Relationships: A kinship between the candidate and any officer or employee of the Group, status of mutual appointments of officers between the Company and the company that the candidate is originally from.
2. Capital Relationships: The holding of shares in the Company by the candidate and the status of shareholding by the Group.
3. Business Relationships: Business transactions or donations between the Group and the candidate.
4. Significant Interests Other Than the Above:

In the event that an outside director is appointed, the Nomination and Compensation Committee will examine his or her independence. Following the final determination by the Board of Directors, the proposal for the appointment will be submitted to the General Meeting

of Shareholders of the Company and the Company will submit a notification of such an outside director as an independent director as prescribed by each financial instruments exchange.

In the case of a candidate for outside Audit & Supervisory Board member, the Audit & Supervisory Board will take into consideration these standards in determining whether to consent to a proposal being submitted to the General Meeting of Shareholders of the Company for the appointment of an Audit & Supervisory Board member. Upon receiving this consent, the Board of Directors will submit the proposal for appointment to the General Meeting of Shareholders and submit notification of such outside an Audit & Supervisory Board Member as an independent auditor as prescribed by each financial instruments exchange.

The Company selects a wide range of independent outside directors and outside Audit & Supervisory Board members, individuals with experience as corporate managers, academics, and lawyers with extensive knowledge in a wide range of fields, with the aim of enabling valuable discussions incorporating objective and multiple viewpoints and perspectives on the Group's management strategies and management issues.

As a result, outside directors and outside Audit & Supervisory Board members contribute to frank, active, and constructive deliberations and discussions at meetings of the Board of Directors, Audit & Supervisory Board, and Nomination and Compensation Committee.

### Policies on Decisions Pertaining to Compensation for Officers

The Group regards compensation for officers as an important matter from the viewpoints of improvements in business performance and corporate value, and sets policies on compensation for officers as follows:

#### (1) Basic Policies on Compensation for Officers (Common to Group Companies)

- 1 The form and level of compensation for officers shall enable the recruitment and retention of superior human resources as management of the Group.
- 2 The compensation structure shall be consistent with business strategies and promote incentives for officers to improve performance for the sake of the Group's growth.
- 3 Compensation shall reflect medium-to-long-term results and initiatives by officers as well as single-year results.
- 4 Objectiveness, transparency, and fairness that can fulfill accountability to stakeholders shall be achieved in the compensation structure for the Company and major subsidiaries through a deliberation process in the Nomination and Compensation Committee inside the Group.

#### (2) Compensation Structure for Officers

The Group sets policies on compensation for officers as follows. However, in cases where there are reasonable grounds to believe that those policies should not be applied, the amount and composition of compensation are determined by the Board of Directors based on the recommendation of the Nomination and Compensation Committee.

The Nomination and Compensation Committee examines the compensation budget for all directors and executive officers and makes recommendations to the Board of Directors on an annual basis. The amount of compensation for directors and executive officers is determined by the Board of Directors within the budget.

##### 1 Composition of compensation for directors and how it is determined

Compensation for directors shall consist of monthly compensation, performance-linked compensation, and performance-linked stock compensation.

With regard to monthly compensation, performance-linked compensation, and performance-linked stock compensation, a fixed amount shall be determined for monthly compensation, while a base amount and the number of standard points (one point = one common share) shall be determined for performance-linked compensation and performance-linked stock compensation depending on whether the person is an outside or internal director, or does or does not have the authority to represent the Company. Nevertheless, performance-linked compensation and performance-linked stock compensation will not be paid to outside directors.

Compensation for a director and compensation for an executive officer shall be totaled and paid together to those directors who are serving concurrently as executive officers.

Overviews of performance-linked compensation and performance-linked stock compensation are described in 4 and 5 below.

##### 2 Composition of compensation for executive officers and how it is determined

Compensation for executive officers shall consist of monthly compensation, performance-linked compensation, and performance-linked stock compensation. The amount and composition of compensation for the Group CEO are examined and recommended by the

Nomination and Compensation Committee and determined by the Board of Directors based on the business environment and market level of compensation for executive officers, as well as the Group CEO's achievements and skills. The amount and composition of compensation for executive officers other than the Group CEO are determined based on the business environment and market level of compensation for executive officers and shall reflect the significance of duties, strategic positioning, achievements, and skills. A fixed amount shall be determined for monthly compensation, while a base amount and the number of standard points (one point = one common share) shall be determined for performance-linked compensation and performance-linked stock compensation.

Overviews of performance-linked compensation and performance-linked stock compensation are described in 4 and 5 below.

##### 3 Composition of compensation for Audit & Supervisory Board members and how it is determined

The form and level of compensation for Audit & Supervisory Board members shall be commensurate with their duties and responsibilities and determined at a fixed amount through discussion between the Audit & Supervisory Board members depending on whether the Audit & Supervisory Board member is full-time or part-time while giving due consideration to their independence.

##### 4 Performance-linked compensation

The Company has introduced a performance-linked compensation system in order to align compensation for officers and business strategies and promote incentives for officers to improve performance for further growth of the Group. Below is an overview of the system:

- Performance-linked compensation shall be determined by reflecting single-year corporate performance and individual performance to the base amount of performance-linked compensation.
- Performance metrics to evaluate corporate performance are adjusted consolidated profit and adjusted consolidated ROE, and the coefficient is determined as a ratio of actual figures to targeted figures (projected figures in business plans). For performance metrics to evaluate individual performance, the coefficient is determined depending on the results of individual performance evaluations of officers.
- The coefficient for performance-linked stock compensation is calculated by adding the belowmentioned coefficient for stock value to the coefficient for consolidated performance, and the number of points to be provided is calculated by adding the number of performance-linked stock compensation standard points to the coefficient for performance-linked stock compensation.
- For officers who serve as Business Owners or are in charge of those businesses, sales and profits of the business in question are used as performance metrics to evaluate corporate performance.

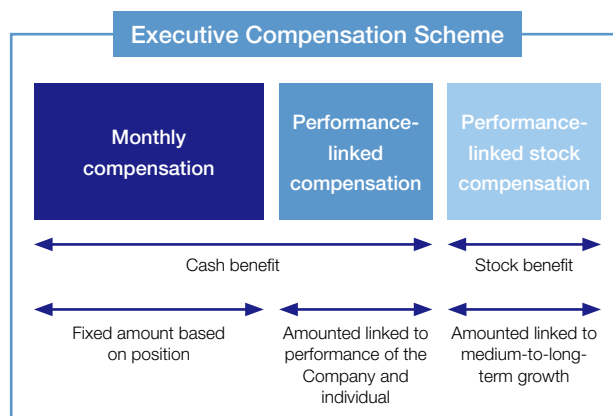
##### 5 Performance-linked stock compensation

The Company has introduced a performance-linked stock compensation system in order to increase the linkage between compensation and increases in corporate value over the medium-to-long term.

Below is an overview of the system:

- Performance-linked stock compensation shall be determined by reflecting the medium-to-long-term stock value and consolidated performance to the number of performance-linked stock compensation standard points in comparison with the market.

- The coefficient for stock value shall be determined by comparing the three-year growth rate of our stock value with the TOPIX growth rate.
- The coefficient for consolidated performance shall be determined by comparing the growth rate of consolidated net income over the past three business years with the growth rate of our peers (global companies centering on insurance companies).
- The coefficient for performance-linked stock compensation is calculated by adding the abovementioned coefficient for stock value to the coefficient for consolidated performance, and the number of points to be provided is calculated by adding the number of performance-linked stock compensation standard points to the coefficient for performance-linked stock compensation.



## Compensation Amounts of Directors and Audit & Supervisory Board Members

Category	Number of officers for payment	Total compensation, etc.	Total amount per type of compensation		
			Basic compensation		Performance-linked stock compensation
			Monthly compensation	Performance-linked compensation	
Directors	11	¥599 million	¥491 million		¥108 million
			¥324 million	¥166 million	
Audit & Supervisory Board members	7	¥104 million	¥104 million		-
			¥104 million	-	
Total	18	¥703 million	¥595 million		¥108 million
			¥429 million	¥166 million	

- Notes: 1. The number of officers for payment includes one director who resigned on March 31, 2017, and two Audit & Supervisory Board members who resigned at the end of the 7th General Meeting of Shareholders held on June 26, 2017.
2. Total compensation, etc., and total amount per type of compensation, etc., include compensation, etc., of one director who resigned on March 31, 2017, and two Audit & Supervisory Board members who resigned at the end of the 7th General Meeting of Shareholders held on June 26, 2017.
3. The total amount of compensation etc., of directors includes ¥467 million as compensation of executive officers for directors who are serving concurrently as executive officers (¥230 million in monthly compensation, ¥140 million in performance-linked compensation, and ¥96 million in performance-linked stock compensation). The compensation of executive officers is being paid to a total of seven persons.
4. Of the compensation, etc., paid to directors, monthly compensation and performance-linked compensation are paid in cash.
5. Performance-linked compensation is based on the performance of the previous fiscal year.
- The amount of reserve for performance-linked compensation based on the performance of the current fiscal year is ¥108 million.
6. Performance-linked stock compensation is the amount of provision of reserve for stock benefits posted as the portion for the current fiscal year.
7. Officers who receive compensation, etc., of ¥100 million or more in total from the Company and its consolidated subsidiaries are listed as follows.

Name	Officer category	Company category	Total amount per type of compensation			Total amount of consolidated compensation, etc.
			Basic compensation		Performance-linked stock compensation	
			Monthly compensation	Performance-linked compensation		
Kengo Sakurada	Director	The Company	¥192 million		¥56 million	¥248 million
	Director	Sompo Japan Nipponkoa Insurance Inc.	¥110 million	¥82 million		
Shinji Tsuji	Director	The Company	¥83 million		¥18 million	¥101 million
	Director	Sompo Japan Nipponkoa Himawari Life Insurance, Inc.	¥53 million	¥30 million		
Keiji Nishizawa	Director	The Company	-		-	¥160 million
	Director	Sompo Japan Nipponkoa Insurance Inc.	¥133 million			
			¥78 million	¥55 million		

8. The maximum amounts of compensation determined by resolutions of the General Meeting of Shareholders are as set out below.

Category	Maximum amount of compensation
Director	<ul style="list-style-type: none"> <li>• Monthly compensation and performance-linked compensation (compensation paid in cash) No more than ¥700 million per year (of which the amount to outside directors shall be no more than ¥100 million per year)</li> <li>• Performance-linked stock compensation No more than ¥500 million*1 in three fiscal years*2</li> </ul> <p>*1 The maximum amount contributed by the Company as the portion for directors to the Board Benefit Trust for performance-linked stock compensation. *2 From the fiscal year ended March 31, 2017, to the fiscal year ending March 31, 2019 Note: In each case, the amount of compensation, etc., of directors does not include the portion paid as employee salary to directors serving concurrently as employees.</p>
Audit & Supervisory Board member	<ul style="list-style-type: none"> <li>• Monthly compensation (compensation and paid in cash) No more than ¥110 million per year</li> </ul>

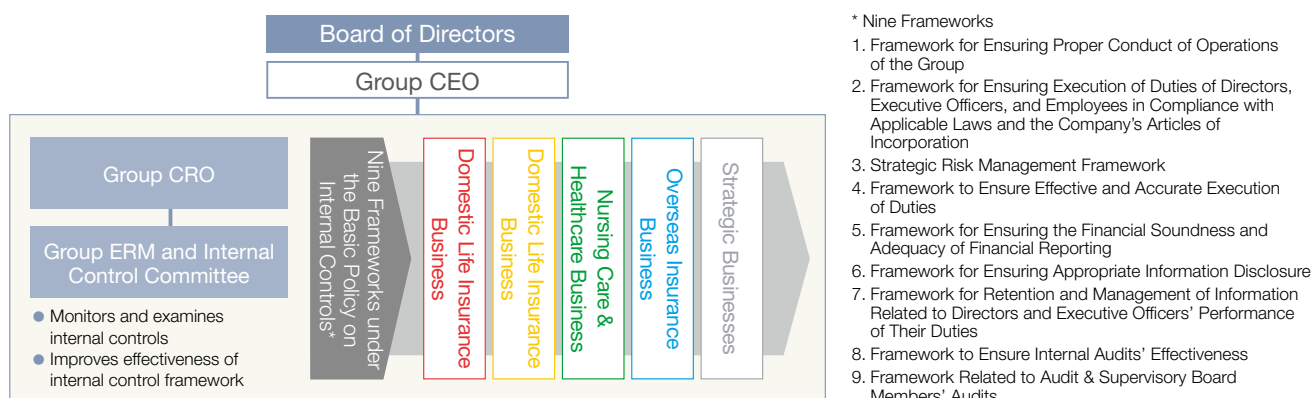
## ■ Group Internal Controls Supporting Corporate Governance

The Sampo Holdings Group has established the Basic Policy on Internal Controls to guide the development and ongoing improvement of the Group-level internal control framework and form business foundations for ensuring appropriate Group operations and improving corporate value.

The Group ERM and Internal Control Committee has been set up as an advisory body to the Group CRO. This committee

is responsible for identifying areas requiring improvement in relation to internal controls and discusses measures for addressing these areas to ensure that the nine frameworks described under the Basic Policy on Internal Controls can function efficiently and effectively. This committee also analyzes incidents that have occurred inside and outside of the Group in order to reinforce our internal control framework.

### The Sampo Holdings Group's Group Internal Control Framework



## ■ Commitment to Compliance

The Group has formulated various policies such as the Group Basic Policy on Compliance, as well as the Group Compliance Code of Conduct, and is raising awareness among Group officers. We also anticipate various compliance-related risks and work to prevent risks from manifesting themselves so that each Group company can increase the effectiveness of compliance initiatives based on these policies.

For example, in regions where foreign countries' laws (laws and regulations other than those of Japan or the country in which we do business) apply, we use the Group's internal and external networks to gather information regarding revisions to laws and regulations in countries and regions around the world, and then confirm categories requiring responses. We provide this information to Group companies in Japan and overseas, helping them put their frameworks in place.

In addition, we are examining the possibility of using data analytics to identify potential risks of inappropriate actions by employees.

While the Group has positioned the insurance business at its core, it is expanding into such new business areas as nursing care and home remodeling. When developing frameworks, it is necessary to consider not only the relevant laws but also the characteristics, scale, and operating conditions of each Group company as well as the potential risks they face. As such, in addition to requiring reports from each Group company, our members participate in Group companies' meetings, and vice versa. We work to understand the conditions at each Group company and share information via company visits, helping us support the development of frameworks at Group companies.

## ■ Establishing an Group Internal Audit Framework

Sampo Holdings has established the Sampo Holdings Group Basic Policy on Internal Audits, which defines internal audits as a process for verifying the appropriateness and effectiveness of internal control framework. Moreover, the policy clearly states that internal audits are not merely meant to detect and identify issues in internal administrative processes or other areas, but should rather go further to analyze issues and provide recommendations on methods for improvement.

Based on these provisions, we are to establish an efficient and effective internal audit framework.

To establish an effective Group-wide internal audit framework, the Company monitors the internal audit plans of Group companies as well as the actual status of audits. Through this monitoring, the Company identifies signs of risks and conducts the necessary internal audits based on those risks while otherwise supporting Group companies.



## ■ IT Governance

Evolving the IT systems of Group companies requires processes based on the regulations of each country and industry in which we operate. We are also implementing other management processes in line with international standards.

At the same time, the Group is pursuing Group synergies,

such as reducing system costs and risks by standardizing systems and appropriately assigning and training IT personnel. Meanwhile, by upgrading system infrastructure to be compatible with present and future digital trends, we will also engage in executing strategic digital projects.

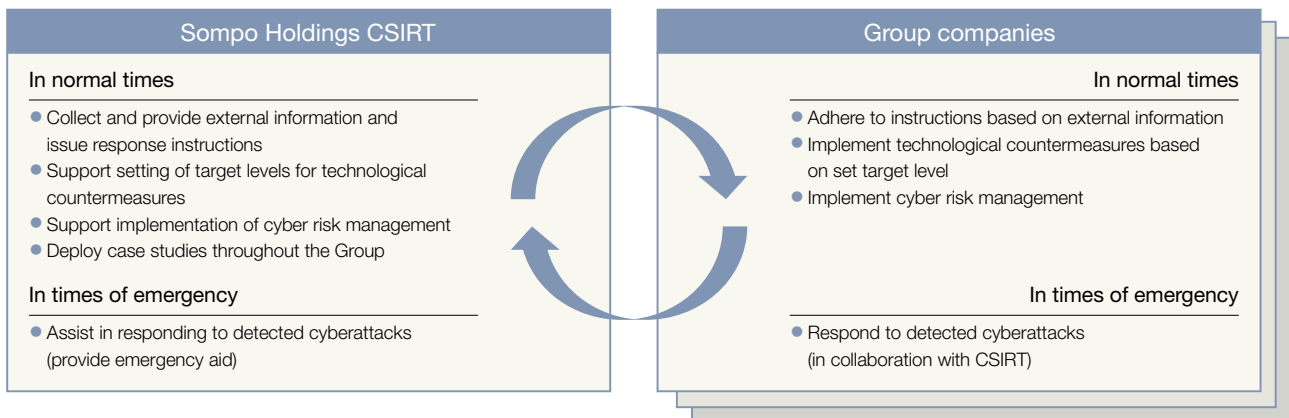
## ■ Response to Cyber Risks—CSIRT

The Group has set up Sampo Holdings CSIRT\* as a specialized organization tasked with systematically responding to ever-growing cyber risks for the entire Group. We will ceaselessly increase the sophistication of our responses to cyber risks by supporting preparations for cyber risk management at each Group company and collecting external information.

Sampo Holdings CSIRT plays a central role in implementing the following initiatives, and individuals are assigned at each Group company to take charge of these initiatives.

- Collect external information (damages, vulnerabilities) and share with Group companies and issue response instructions
- Integrate information pertaining to detected cyberattacks within the Group and support responses to such attacks
- Support setting of target levels for technological countermeasures based on probability and potential impact of risks at each Group company
- Assist creation of business continuity plans, planning, and implementation of employee training programs and drills

\* CSIRT: Computer Security Incident Response Team



## Information Disclosure

The Group has established a basic disclosure policy and strives to disclose information in an appropriate and timely manner to ensure that its various stakeholders, including customers, shareholders, and other investors, have a correct understanding of the Sampo Holdings Group's management and other initiatives.

### Corporate Website / Integrated Report

The Company's corporate website is a source of corporate data as well as information on Group businesses, topics of interest to shareholders and other investors, and CSR activities. We also post timely news releases on this website. The English version of the website provides a variety of information for people overseas.

### URL

<https://www.sampo-hd.com/en/>

In addition to the corporate website, the Company publishes its integrated annual report (in Japanese and English), which provides easy-to-understand explanations of the Group's profile, management policies, and operating performance.



### Regular Investor Briefings for Investors and Analysts

The Company holds regular investor briefings for investors and analysts. Presentation materials used in these briefings are made available for all interested parties on the Company's corporate website.

IR meetings are held twice annually with the Group CEO, the CFO, the CSO, and other members of senior management in attendance, in principle, and include presentations and question and answer sessions. The Company also arranges for members of senior management, including the Group CEO, to take part in discussions with domestic and overseas

investors on an individual basis. In addition, we provide a wide range of opportunities for discussions with Business Owners with regard to specific business themes.

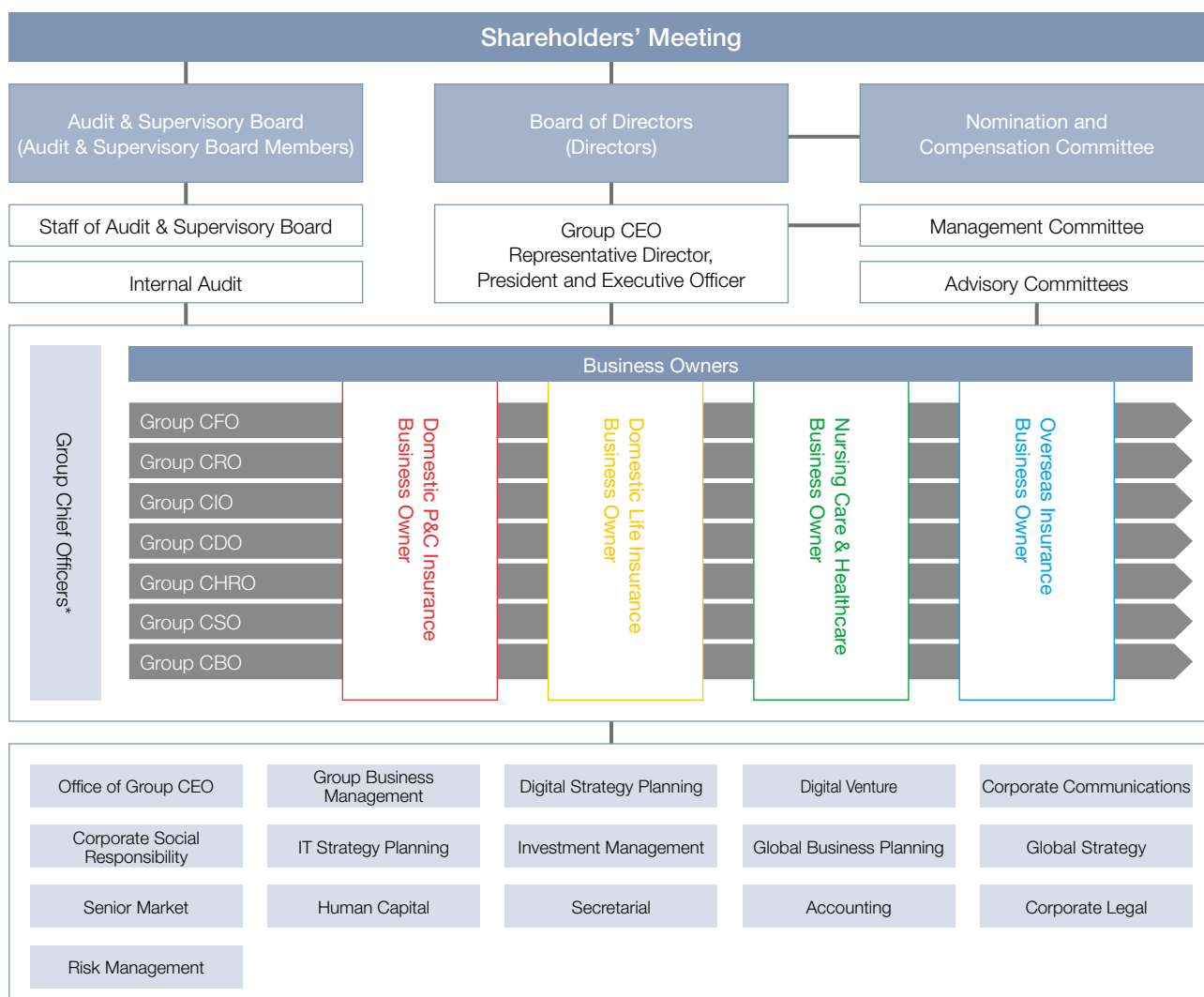
Through such discussions, the Company is able to explain its management policies and other topics in a timely manner while also providing the Board of Directors and members of senior management with timely feedback on investor interests and concerns, which contributes to the formulation of management strategies and the execution of operations.

Business strategy explanation meetings for institutional investors and analysts (IR meetings)	2 times
Financial results conference calls for institutional investors and analysts	2 times
Small, theme-specific meetings with Business Owners, etc.	4 times
Conferences sponsored by securities companies	5 times
One-on-one meetings with institutional investors	249 times
Information sessions for individual investors	8 times

Company name: Sampo Holdings, Inc.  
 Date of establishment: April 1, 2010  
 Capital: ¥100 billion  
 Head office: 26-1, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo 160-8338, Japan  
 Group CEO Representative Director,  
 President and Executive Officer: Kengo Sakurada  
 Employees: 557\*  
 Business activities: Management of P&C insurance companies, life insurance companies, and other companies controlled as subsidiaries pursuant to the Insurance Business Law, and other related operations.  
 Exchange listing: Tokyo Stock Exchange (First Section)  
 URL: <https://www.sampo-hd.com/en/>

\* As of March 31, 2018

## Organization Chart



\* Group Chief Officers are acronyms for the following titles. Group CFO : Group Chief Financial Officer / Group CRO : Group Chief Risk Officer  
 Group CIO : Group Chief Information Officer / Group CDO : Group Chief Digital Officer / Group CHRO : Group Chief Human Resource Officer  
 Group CSO : Group Chief Strategy Officer / Group CBO : Group Chief Brand Officer

### ■ Share Information

(As of July 1, 2018)

- |  |   |
|--|---|
| 1. Fiscal year:  | April 1 of each year through March 31 of the following year   |
| 2. Annual General Meeting of Shareholders:               | Held within 3 months of the end of each fiscal year   |
| 3. Record date for year-end dividends and voting rights: | March 31<br>Note: Record date for interim dividends: September 30   |
| 4. Share-trading lot size:                               | 100   |
| 5. Shareholder registry administrator:                   | Mizuho Trust & Banking Co., Ltd.  |
| 6. Public notices:                                       | Sompo Holdings issues public notices electronically ( <a href="https://www.sompo-hd.com/">https://www.sompo-hd.com/</a> )<br>Note: If a public notice cannot be issued electronically, it will be published in the <i>Nihon Keizai Shimbun</i> (newspaper). |
| 7. Exchange listing:                                     | Tokyo Stock Exchange (First Section)  |

### ■ Matters for the General Meeting of Shareholders

The 8th General Meeting of Shareholders was held on June 25, 2018. The matters to be reported and the matters to be resolved were as follows:

#### Matters to Be Reported

1. The business report, the consolidated financial statements, and the audit reports by the accounting auditors and the Audit & Supervisory Board for fiscal 2017 (April 1, 2017 to March 31, 2018)
2. The financial statements for fiscal 2017 (April 1, 2017 to March 31, 2018)

#### Matters to Be Resolved

- Proposal No. 1 Disposition of Retained Earnings
- Proposal No. 2 Appointment of 12 Directors
- Proposal No. 3 Appointment of 2 Audit & Supervisory Board Members

The proposals were approved as initially proposed.

## ■ Distribution and Shares

(As of March 31, 2018)

### 1. Equity Shares

(1) Type of shares	Common shares
(2) Total number of authorized shares	1,200,000,000
(3) Total number of shares outstanding	415,352,294 (Including treasury stock)
(4) Total number of shareholders	43,081

### 2. Types of Shareholders

Category	Number of Shareholders	Number of Shares Held (Thousands)* <sup>1</sup>	Portion of Shares Outstanding (%) <sup>2</sup>
National and Regional Governmental Organizations	2	8	0.00
Financial Institutions	170	137,831	33.18
Securities Companies	53	12,016	2.89
Other Corporations	1,018	30,179	7.27
Foreign Investors	747	163,267	39.31
Individuals and Others	41,091	72,049	17.35
Total	43,081	415,352	100.0

\*1 Numbers of shares held are truncated to the unit displayed.

\*2 Portions of shares outstanding are rounded to the unit displayed.

## ■ Top 10 Shareholders

(As of March 31, 2018)

Name of Shareholder	Number of Shares Held (Thousands)	Portion of Shares Outstanding (Excluding Treasury Stock) (%)
JP MORGAN CHASE BANK 380072	25,602	6.72
The Master Trust Bank of Japan, Ltd. (Trust account)	22,625	5.94
Japan Trustee Services Bank, Ltd. (Trust account)	18,924	4.96
Sompo Holdings Employee Shareholders Association	8,906	2.34
GOVERNMENT OF NORWAY	8,684	2.28
The Dai-ichi Life Insurance Company, Limited	8,181	2.15
NIPPON EXPRESS CO., LTD.	8,001	2.10
Japan Trustee Services Bank, Ltd. (Trust account 5)	7,392	1.94
STATE STREET BANK WEST CLIENT - TREATY 505234	6,790	1.78
Japan Trustee Services Bank, Ltd. (Trust account 7)	6,672	1.75

Notes: 1. In addition to the above, the Company holds 34,176 thousand shares of treasury stock. This number of treasury stock does not include 596 thousand shares of the Company's stock held by Mizuho Trust & Banking Co., Ltd. (Re-entrusted entity: Trust & Custody Services Bank, Ltd. (Trust E account) established for the "Board Benefit Trust (BBT)" plan.)

2. The number of shares held by The Dai-ichi Life Insurance Company, Limited, includes 4,492 thousand shares contributed by that company as trust assets for a retirement benefit trust (In the shareholder register, the shares are listed in the name of Mizuho Trust & Banking Co., Ltd., Dai-ichi Life Insurance Retirement Benefit Trust.)

3. The number of shares held by NIPPON EXPRESS CO., LTD., includes 1,600 thousand shares contributed by that company as trust assets for a retirement benefit trust (In the shareholder register, the shares are listed in the name of Mizuho Trust & Banking Co., Ltd., NIPPON EXPRESS Retirement Benefit Trust.)



The Sampo Holdings Group consists of 100 subsidiaries and 14 affiliates. The Group is engaged in domestic P&C insurance, domestic life insurance, and other businesses. Major Group companies are as follows.

### List of Group Companies

#### Domestic P&C Insurance

- ◎ Sampo Japan Nipponkoa Insurance Inc.
- ◎ SAISON AUTOMOBILE AND FIRE INSURANCE COMPANY, LIMITED
- ◎ Sampo 24 Insurance Company Limited
- ◎ Sampo Japan Nipponkoa Insurance Services Inc.
- ★ Hitachi Capital Insurance Corporation

#### Domestic Life Insurance

- ◎ Sampo Japan Nipponkoa Himawari Life Insurance, Inc.

#### Nursing Care & Healthcare

- ◎ Sampo Care Message Inc.
- ◎ Sampo Care Next Inc.
- ◎ Sampo Risk Management & Health Care Inc.

#### Overseas Insurance

- ◎ Sampo International Holdings Ltd. <Bermuda, British Overseas Territory>
- ◎ Endurance Specialty Insurance Ltd. <Bermuda, British Overseas Territory>
- ◎ Endurance U.S. Holdings Corp. <U.S.A.>
- ◎ Sampo America Insurance Company <U.S.A.>
- ◎ Endurance Worldwide Holdings Limited <U.K.>
- ◎ Endurance Worldwide Insurance Limited <U.K.>
- ◎ Sampo International Holdings (Europe) Limited <U.K.>
- ◎ SI Insurance (Europe), SA <Luxembourg>
- ◎ Sampo Japan Nipponkoa Insurance Company of Europe Limited <U.K.>
- ◎ Sampo Japan Sigorta Anonim Sirketi <Turkey>
- ◎ Sampo Holdings (Asia) Pte. Ltd. <Singapore>
- ◎ Sampo Insurance Singapore Pte. Ltd. <Singapore>
- ◎ Berjaya Sampo Insurance Berhad <Malaysia>
- ◎ PT Sampo Insurance Indonesia <Indonesia>
- ◎ Sampo Insurance China Co., Ltd. <China>
- ◎ Sampo Insurance (Hong Kong) Company Limited <China>
- ◎ Sampo Seguros S.A. <Brazil>
- ◎ Sampo Saude Seguros S.A. <Brazil>
- ★ Universal Sampo General Insurance Company Limited <India>

#### Financial and Other Services

- ◎ Sampo Japan Nipponkoa Asset Management Co., Ltd. (Asset Management)
- ◎ Sampo Japan Nipponkoa DC Securities Inc. (Defined Contribution Pension Plans)

Notes: 1. The definitions of each sign are as follows. ◎: Consolidated subsidiary ★: Affiliate accounted for under the equity method  
 2. Sampo Care Message Inc. changed its name to Sampo Care Inc. on April 1, 2018.  
 3. Sampo Care Next Inc. merged with Sampo Care Inc. on July 1, 2018.

## Subsidiaries and Affiliates

### Consolidated Subsidiaries

Company Name	Location of Head Office	Date of Establishment	Capital	Main Business	Proportion of Voting Rights Held by the Holding Company (%) <sup>*1</sup>	Proportion of Voting Rights Held by Subsidiaries or Affiliates of the Holding Company (%) <sup>*1</sup>
Sompo Japan Nipponkoa Insurance Inc.	Shinjuku-ku, Tokyo	February 12, 1944	70,000 million Japanese yen	Domestic P&C Insurance	100.0	—
SAISON AUTOMOBILE AND FIRE INSURANCE COMPANY, LIMITED	Toshima-ku, Tokyo	September 22, 1982	31,010 million Japanese yen	Domestic P&C Insurance	—	99.8
Sonpo 24 Insurance Company Limited	Toshima-ku, Tokyo	December 6, 1999	19,000 million Japanese yen	Domestic P&C Insurance	—	100.0
Sompo Japan Nipponkoa Insurance Services Inc.	Shinjuku-ku, Tokyo	February 28, 1989	1,845 million Japanese yen	Domestic P&C Insurance	—	100.0
Sompo Japan Nipponkoa Himawari Life Insurance, Inc.	Shinjuku-ku, Tokyo	July 7, 1981	17,250 million Japanese yen	Domestic Life Insurance	100.0	—
Sompo Care Message Inc.* <sup>2</sup>	Shinagawaku-ku, Tokyo	May 26, 1997	3,925 million Japanese yen	Nursing Care & Healthcare	100.0	—
Sompo Care Next Inc.* <sup>3</sup>	Shinagawaku-ku, Tokyo	November 11, 1992	5,095 million Japanese yen	Nursing Care & Healthcare	100.0	—
Sompo Risk Management & Health Care Inc.	Shinjuku-ku, Tokyo	November 19, 1997	30 million Japanese yen	Nursing Care & Healthcare	100.0	—
Sompo International Holdings Ltd.	Pembroke (Bermuda, British Overseas Territory)	March 24, 2017	0 thousand U.S. dollars	Overseas Insurance	—	100.0
Endurance Specialty Insurance Ltd.	Pembroke (Bermuda, British Overseas Territory)	November 30, 2001	12,000 thousand U.S. dollars	Overseas Insurance	—	100.0
Endurance U.S. Holdings Corp.	Purchase (New York, U.S.A.)	August 2, 2002	140,000 thousand U.S. dollars	Overseas Insurance	—	100.0
Sompo America Insurance Company	New York (New York, U.S.A.)	August 9, 1962	13,742 thousand U.S. dollars	Overseas Insurance	—	100.0
Endurance Worldwide Holdings Limited	London (U.K.)	April 10, 2002	215,967 thousand British pounds	Overseas Insurance	—	100.0
Endurance Worldwide Insurance Limited	London (U.K.)	April 10, 2002	215,967 thousand British pounds	Overseas Insurance	—	100.0
Sompo International Holdings (Europe) Limited	London (U.K.)	December 12, 2017	0 thousand euros	Overseas Insurance	—	100.0
SI Insurance (Europe), SA	Luxembourg (Luxembourg)	January 12, 2018	30 thousand euros	Overseas Insurance	—	100.0
Sompo Japan Nipponkoa Insurance Company of Europe Limited	London (U.K.)	August 20, 1993	173,700 thousand British pounds	Overseas Insurance	—	100.0

## The Company, Subsidiaries, and Affiliates (As of March 31, 2018)

Company Name	Location of Head Office	Date of Establishment	Capital	Main Business	Proportion of Voting Rights Held by the Holding Company (%) <sup>*1</sup>	Proportion of Voting Rights Held by Subsidiaries or Affiliates of the Holding Company (%) <sup>*1</sup>
Sompo Japan Sigorta Anonim Sirketi	Istanbul (Turkey)	March 30, 2001	195,498 thousand Turkish liras	Overseas Insurance	—	100.0
Sompo Holdings (Asia) Pte. Ltd.	Singapore (Singapore)	August 1, 2008	790,761 thousand Singaporean dollars	Overseas Insurance	—	100.0
Sompo Insurance Singapore Pte. Ltd.	Singapore (Singapore)	December 14, 1989	318,327 thousand Singaporean dollars	Overseas Insurance	—	100.0
Berjaya Sompo Insurance Berhad	Kuala Lumpur (Malaysia)	September 22, 1980	118,000 thousand Malaysian ringgits	Overseas Insurance	—	70.0
PT Sompo Insurance Indonesia	Jakarta (Indonesia)	December 16, 1975	194,940,000 thousand Indonesian Rupiahs	Overseas Insurance	—	80.0
Sompo Insurance China Co., Ltd.	Dalian (China)	May 31, 2005	600,000 thousand Chinese yuan	Overseas Insurance	—	100.0
Sompo Insurance (Hong Kong) Company Limited	Hong Kong (China)	March 25, 1977	270,000 thousand Hong Kong dollars	Overseas Insurance	—	97.8
Sompo Seguros S.A.	Sao Paulo (Brazil)	October 8, 1943	985,585 thousand Brazilian reals	Overseas Insurance	—	99.9
Sompo Saude Seguros S.A.	Sao Paulo (Brazil)	June 12, 2001	116,280 thousand Brazilian reals	Overseas Insurance	—	100.0
Sompo Japan Nipponkoa Asset Management Co., Ltd.	Chuo-ku, Tokyo	February 25, 1986	1,550 million Japanese yen	Other (Asset management service)	100.0	—
Sompo Japan Nipponkoa DC Securities Inc.	Shinjuku-ku, Tokyo	May 10, 1999	3,000 million Japanese yen	Other (Defined contribution pension plans)	—	100.0
45 other companies						

### Equity-Method Affiliates

Company Name	Location of Head Office	Date of Establishment	Capital	Main Business	Proportion of Voting Rights Held by the Holding Company (%) <sup>*1</sup>	Proportion of Voting Rights Held by Subsidiaries or Affiliates of the Holding Company (%) <sup>*1</sup>
Hitachi Capital Insurance Corporation	Chiyoda-ku, Tokyo	June 21, 1994	6,200 million Japanese yen	Domestic P&C Insurance	—	20.6
Universal Sompo General Insurance Company Limited	Mumbai (India)	January 5, 2007	3,681,818 thousand Indian rupees	Overseas Insurance	—	28.4
2 other companies						

Note: "Subsidiaries and affiliates" includes subsidiaries and affiliates as specified in the Insurance Business Law and the Enforcement Order for the Insurance Business Law.

<sup>\*1</sup> Figures in proportion of voting rights are rounded to the indicated decimal place.

<sup>\*2</sup> Sompo Care Message Inc. changed its name to Sompo Care Inc. on April 1, 2018.

<sup>\*3</sup> Sompo Care Next Inc. merged with Sompo Care Inc. on July 1, 2018.

# Financial Section

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# Segment Overview (Unaudited)

## Domestic P&C Insurance Business

### 1. Direct premiums written (including deposits of premiums by policyholders)

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)			Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)		
	Amount	% of total amount	% of year-on-year change	Amount	% of total amount	% of year-on-year change
Fire and allied insurance	379,901	15.22%	(6.84)%	401,178	15.99%	5.60%
Marine insurance	45,224	1.81	(11.45)	46,983	1.87	3.89
Personal accident insurance	287,846	11.53	3.61	276,557	11.02	(3.92)
Voluntary automobile insurance	1,120,548	44.88	1.21	1,127,108	44.91	0.59
Compulsory automobile liability insurance	318,407	12.75	0.73	297,410	11.85	(6.59)
Others	344,665	13.81	4.44	360,403	14.36	4.57
Total	2,496,593	100.00	0.27	2,509,641	100.00	0.52
Deposits of premiums by policyholders	131,617	5.27	9.40	120,380	4.80	(8.54)

Notes)

- Figures are amounts before the elimination of internal transactions between segments.
- Direct premiums written (including deposits of premiums by policyholders) is gross premiums written deducted by the sum of surrender benefits of direct policies and other refunds of direct policies. (Includes deposits of premiums of saving-type insurance policies)

### 2. Net premiums written

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)			Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)		
	Amount	% of total amount	% of year-on-year change	Amount	% of total amount	% of year-on-year change
Fire and allied insurance	286,008	12.93%	(13.67)%	282,230	12.72%	(1.32)%
Marine insurance	43,987	1.99	(14.09)	47,386	2.14	7.73
Personal accident insurance	184,328	8.33	(1.33)	182,280	8.22	(1.11)
Voluntary automobile insurance	1,119,205	50.59	1.17	1,124,201	50.68	0.45
Compulsory automobile liability insurance	295,884	13.37	(3.69)	292,021	13.16	(1.31)
Others	282,816	12.78	2.16	290,288	13.09	2.64
Total	2,212,230	100.00	(2.10)	2,218,407	100.00	0.28

Note) Figures are amounts before the elimination of internal transactions between segments.

### 3. Net claims paid

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)			Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)		
	Amount	% of total amount	% of year-on-year change	Amount	% of total amount	% of year-on-year change
Fire and allied insurance	187,459	14.77%	(14.37)%	201,779	15.50%	7.64%
Marine insurance	27,335	2.15	(16.48)	29,084	2.23	6.40
Personal accident insurance	96,509	7.60	(5.32)	96,404	7.41	(0.11)
Voluntary automobile insurance	589,162	46.42	0.28	608,645	46.76	3.31
Compulsory automobile liability insurance	224,462	17.68	(1.03)	215,441	16.55	(4.02)
Others	144,393	11.38	1.60	150,278	11.55	4.08
Total	1,269,322	100.00	(3.11)	1,301,632	100.00	2.55

Note) Figures are amounts before the elimination of internal transactions between segments.



## 4. Investment assets

(Millions of yen)

	As of March 31, 2017		As of March 31, 2018	
	Amount	% of total amount	Amount	% of total amount
Deposits	415,394	6.32%	497,791	7.39%
Receivables under resale agreements	54,999	0.84	74,998	1.11
Monetary receivables bought	7,624	0.12	6,301	0.09
Money trusts	104,292	1.59	98,613	1.46
Securities	4,476,894	68.16	4,489,120	66.64
Loans	598,475	9.11	628,099	9.32
Land & buildings	282,529	4.30	232,377	3.45
Total investment assets	5,940,209	90.44	6,027,302	89.47
Total net assets	6,568,019	100.00	6,736,732	100.00

Note) Figures are amounts before the elimination of internal transactions between segments.

## 5. Securities

(Millions of yen)

	As of March 31, 2017		As of March 31, 2018	
	Amount	% of total amount	Amount	% of total amount
Government bonds	929,563	20.76%	842,594	18.77%
Municipal bonds	11,363	0.25	14,380	0.32
Corporate bonds	572,012	12.78	571,645	12.73
Domestic stocks	1,560,507	34.86	1,629,104	36.29
Foreign securities	1,352,727	30.22	1,366,275	30.44
Others	50,720	1.13	65,119	1.45
Total	4,476,894	100.00	4,489,120	100.00

Notes)

- Figures are amounts before the elimination of internal transactions between segments.
- As of March 31, 2017, Others primarily comprised security investment trust beneficiary securities amounting to 37,716 million yen.  
As of March 31, 2018, Others primarily comprised security investment trust beneficiary securities amounting to 51,499 million yen.

## 6. Yield

### (1) Income yield

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)			Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)		
	Income amount	Average amount under management	Annualized yield	Income amount	Average amount under management	Annualized yield
Deposits	21	463,923	0.00%	96	458,442	0.02%
Call loans	0	519	0.01	0	80	0.03
Receivables under resale agreements	4	113,354	0.00	3	72,887	0.00
Monetary receivables bought	192	8,416	2.29	150	6,375	2.36
Money trusts	2,672	109,169	2.45	2,395	95,770	2.50
Securities	101,489	3,506,606	2.89	92,929	3,338,115	2.78
Loans	6,441	585,926	1.10	6,505	611,659	1.06
Land & buildings	3,855	289,066	1.33	3,703	278,313	1.33
Subtotal	114,677	5,076,982	2.26	105,783	4,861,646	2.18
Others	1,060	—	—	1,218	—	—
Total	115,737	—	—	107,002	—	—

Notes)

- Figures are amounts before the elimination of internal transactions between segments.
- Income is the sum of interest and dividend income and the amount equivalent to the interest and dividend income that is included in investment gains on money trusts and investment losses on money trusts in consolidated statements of income.
- Average amount under management calculations are, in principle, based on average balances (acquisition costs or amortization costs) at the end of each month. Meanwhile, the calculations of call loans, receivables under resale agreements and monetary receivables bought are based on average balances (acquisition costs or amortization costs) at the end of each day.
- Securities listed on the Consolidated Balance Sheet include shares in affiliates accounted for under the equity method, but exclude those shares calculating average amounts under management and annualized yields.

### (2) Realized yield

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)			Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)		
	Investment profit (realized basis)	Average amount under management (acquisition cost basis)	Annualized yield	Investment profit (realized basis)	Average amount under management (acquisition cost basis)	Annualized yield
Deposits	760	463,923	0.16%	(1,578)	458,442	(0.34)%
Call loans	0	519	0.01	0	80	0.03
Receivables under resale agreements	4	113,354	0.00	3	72,887	0.00
Monetary receivables bought	192	8,416	2.29	150	6,375	2.36
Money trusts	2,336	109,169	2.14	5,307	95,770	5.54
Securities	165,507	3,506,606	4.72	160,193	3,338,115	4.80
Loans	7,654	585,926	1.31	4,561	611,659	0.75
Land & buildings	3,855	289,066	1.33	3,703	278,313	1.33
Derivatives	(16,498)	—	—	(11,606)	—	—
Others	1,315	—	—	(170)	—	—
Total	165,128	5,076,982	3.25	160,563	4,861,646	3.30

Notes)

- Figures are amounts before the elimination of internal transactions between segments.
- Investment profit (realized basis) excludes investment expenses from total amount of investment income and interest and dividend income on deposits of premiums, etc., on the Consolidated Statement of Income.
- Average amount under management (acquisition cost basis) calculations are, in principle, based on average balances (acquisition costs or amortization costs) at the end of each month. Meanwhile, the calculations of call loans, receivables under resale agreements and monetary receivables bought are based on average balances (acquisition costs or amortization costs) at the end of each day.
- Securities listed on the Consolidated Balance Sheet include shares in affiliates accounted for under the equity method, but exclude those shares calculating average amounts under management and annualized yields.

## 7. Foreign investments

(Millions of yen)

	As of March 31, 2017		As of March 31, 2018	
	Amount	% of total amount	Amount	% of total amount
Foreign currency denominated securities				
Foreign bonds	826,591	56.61%	786,891	53.37%
Foreign stocks	132,399	9.07	120,587	8.18
Others	248,876	17.05	310,948	21.09
Subtotal	1,207,867	82.73	1,218,427	82.63
Yen-denominated securities				
Loan for non-resident	3,600	0.25	3,600	0.24
Foreign bonds	79,421	5.44	44,623	3.03
Others	169,193	11.59	207,848	14.10
Subtotal	252,214	17.27	256,071	17.37
Total	1,460,081	100.00	1,474,498	100.00
Yield on foreign investments				
Income yield		2.86%		2.38%
Realized yield		2.58		2.49

Notes)

- Figures are amounts before the elimination of internal transactions between segments.
- Figures include the amount managed as money trust.
- Assets associated with foreign investments under income yield within yield for foreign investments are calculated using the same method as 6. Yield (1) Income yield.
- Assets associated with foreign investments under realized yield within yield for foreign investments are calculated using the same method as 6. Yield (2) Realized yield.
- As of March 31, 2017, others in foreign currency denominated securities primarily comprised security investment trust beneficiary securities amounting to 202,278 million yen, and others in yen-denominated securities primarily comprised security investment trust beneficiary securities amounting to 123,107 million yen.  
As of March 31, 2018, others in foreign currency denominated securities primarily comprised security investment trust beneficiary securities amounting to 239,262 million yen, and others in yen-denominated securities primarily comprised security investment trust beneficiary securities amounting to 156,103 million yen.

## Domestic Life Insurance Business

### 1. Total amount of business in force

(Millions of yen)

	As of March 31, 2017		As of March 31, 2018	
	Amount	% of year-on-year change	Amount	% of year-on-year change
Individual insurance	22,066,920	3.24%	21,877,872	(0.86)%
Individual annuities	258,609	(3.26)	247,948	(4.12)
Group insurance	2,701,178	(4.52)	2,784,686	3.09
Group annuities	—	—	—	—

Notes)

- Figures are amounts before the elimination of internal transactions between segments.
- 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.

### 2. Total amount of new business

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)			Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)		
	New business + Net increase on conversion	New business	Net increase on conversion	New business + Net increase on conversion	New business	Net increase on conversion
Individual insurance	2,430,551	2,430,551	—	1,484,076	1,484,076	—
Individual annuities	3,588	3,588	—	—	—	—
Group insurance	18,064	18,064	—	18,461	18,461	—
Group annuities	—	—	—	—	—	—

Notes)

- Figures are amounts before the elimination of internal transactions between segments.
- Amounts of new business and net increase on conversion for individual annuities represent annuity fund at the beginning of annuity payment.

### 3. Investment assets

(Millions of yen)

	As of March 31, 2017		As of March 31, 2018	
	Amount	% of total amount	Amount	% of total amount
Deposits	58,073	2.24%	90,465	3.23%
Securities	2,433,504	93.95	2,593,406	92.72
Loans	38,254	1.48	39,865	1.43
Land & buildings	396	0.02	433	0.02
Total investment assets	2,530,229	97.68	2,724,171	97.40
Total net assets	2,590,322	100.00	2,796,934	100.00

Note) Figures are amounts before the elimination of internal transactions between segments.

## 4. Securities

(Millions of yen)

	As of March 31, 2017		As of March 31, 2018	
	Amount	% of total amount	Amount	% of total amount
Government bonds	1,697,380	69.75%	1,771,498	68.31%
Municipal bonds	58,834	2.42	61,623	2.38
Corporate bonds	343,504	14.12	355,247	13.70
Domestic stocks	7,964	0.33	9,234	0.36
Foreign securities	325,819	13.39	395,802	15.26
Total	2,433,504	100.00	2,593,406	100.00

Note) Figures are amounts before the elimination of internal transactions between segments.

## 5. Yield

### (1) Income yield

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)			Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)		
	Income amount	Average amount under management	Annualized yield	Income amount	Average amount under management	Annualized yield
Deposits	—	48,509	—%	—	76,714	—%
Securities	40,441	2,275,304	1.78	42,635	2,447,617	1.74
Loans	1,141	37,729	3.02	1,181	38,913	3.04
Land & buildings	—	429	—	—	442	—
Subtotal	41,582	2,361,973	1.76	43,816	2,563,687	1.71
Others	—	—	—	—	—	—
Total	41,582	—	—	43,816	—	—

Notes)

- Figures are amounts before the elimination of internal transactions between segments, excluding investment gains and assets on special account specified in Article 118 of the Insurance Business Act.
- Income amount represents interest and dividend income on the Consolidated Statement of Income.
- Average amount under management calculations are, in principle, based on average balances (acquisition costs or amortization costs) at the end of each month.



## (2) Realized yield

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)			Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)		
	Investment profit (realized basis)	Average amount under management (acquisition cost basis)	Annualized yield	Investment profit (realized basis)	Average amount under management (acquisition cost basis)	Annualized yield
Deposits	0	48,509	0.00%	0	76,714	0.00%
Securities	43,426	2,275,304	1.91	43,897	2,447,617	1.79
Loans	1,141	37,729	3.02	1,181	38,913	3.04
Land & buildings	—	429	—	—	442	—
Derivatives	(1,125)	—	—	(1,384)	—	—
Others	(67)	—	—	(87)	—	—
Total	43,375	2,361,973	1.84	43,607	2,563,687	1.70

Notes)

- Figures are amounts before the elimination of internal transactions between segments, excluding investment gains and assets on special account specified in Article 118 of the Insurance Business Act.
- Investment profit (realized basis) excludes investment expenses from investment income on the Consolidated Statement of Income.
- Average amount under management (acquisition cost basis) calculations are, in principle, based on average balances (acquisition costs or amortization costs) at the end of each month.

## 6. Foreign investments

(Millions of yen)

	As of March 31, 2017		As of March 31, 2018	
	Amount	% of total amount	Amount	% of total amount
Foreign currency denominated securities				
Foreign bonds	303,234	94.65%	376,018	96.53%
Others	893	0.28	166	0.04
Subtotal	304,127	94.93	376,184	96.57
Yen-denominated securities				
Foreign bonds	16,236	5.07	13,350	3.43
Subtotal	16,236	5.07	13,350	3.43
Total	320,364	100.00	389,535	100.00
Yield on foreign investments				
Income yield		2.24%		2.19%
Realized yield		2.61		2.00

Notes)

- Figures are amounts before the elimination of internal transactions between segments, excluding investment gains and assets on special account specified in Article 118 of the Insurance Business Act.
- Assets associated with foreign investments under income yield within yield on foreign investments are calculated using the same method as 5. Yield (1) Income yield.
- Assets associated with foreign investments under realized yield within yield on foreign investments are calculated using the same method as 5. Yield (2) Realized yield.
- Others in foreign currency denominated securities is entirely attributable to deposits.

## Nursing Care & Healthcare Business

Ordinary income increased 8.7 billion yen, to 127.8 billion yen, compared with the fiscal year ended March 31, 2017. Net loss attributable to shareholders of the parent decreased 5.3 billion yen from the fiscal year ended March 31, 2017, to a net loss of 1.4 billion yen.

## Overseas Insurance Business

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)		Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)	
	Amount	% of year-on-year change	Amount	% of year-on-year change
Net premiums written	338,105	15.55%	636,347	88.21%

Note) Figures are amounts before the elimination of internal transactions between segments.

## (Reference) Overview of Entire Business

### 1. Direct premiums written (including deposits of premiums by policyholders)

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)			Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)		
	Amount	% of total amount	% of year-on-year change	Amount	% of total amount	% of year-on-year change
Fire and allied insurance	478,351	16.65%	(3.51)%	538,247	17.00%	12.52%
Marine insurance	88,710	3.09	(0.75)	104,351	3.30	17.63
Personal accident insurance	298,883	10.40	4.53	288,131	9.10	(3.60)
Voluntary automobile insurance	1,251,748	43.57	4.38	1,250,159	39.49	(0.13)
Compulsory automobile liability insurance	318,407	11.08	0.73	297,410	9.40	(6.59)
Others	436,772	15.20	3.22	687,145	21.71	57.32
Total	2,872,874	100.00	2.25	3,165,447	100.00	10.18
Deposits of premiums by policyholders	131,617	4.58	9.40	120,380	3.80	(8.54)

Notes)

- Figures are amounts before the elimination of internal transactions between segments.
- Direct premiums written (including deposits of premiums by policyholders) is gross premiums written deducted by the sum of surrender benefits of direct policies and other refunds of direct policies. (Includes deposits of premiums of saving-type insurance policies)

## 2. Net premiums written

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)			Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)		
	Amount	% of total amount	% of year-on-year change	Amount	% of total amount	% of year-on-year change
Fire and allied insurance	373,558	14.65%	(8.40)%	454,125	15.91%	21.57%
Marine insurance	79,335	3.11	(7.65)	105,325	3.69	32.76
Personal accident insurance	194,152	7.61	(0.07)	192,798	6.75	(0.70)
Voluntary automobile insurance	1,245,666	48.84	4.00	1,241,314	43.48	(0.35)
Compulsory automobile liability insurance	295,884	11.60	(3.69)	292,021	10.23	(1.31)
Others	361,739	14.18	0.72	569,170	19.94	57.34
Total	2,550,336	100.00	(0.07)	2,854,755	100.00	11.94

Note) Figures are amounts before the elimination of internal transactions between segments.

## 3. Net claims paid

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)			Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)		
	Amount	% of total amount	% of year-on-year change	Amount	% of total amount	% of year-on-year change
Fire and allied insurance	229,211	16.05%	(8.74)%	337,488	19.87%	47.24%
Marine insurance	41,321	2.89	(14.63)	63,003	3.71	52.47
Personal accident insurance	99,533	6.97	(5.79)	100,955	5.94	1.43
Voluntary automobile insurance	644,783	45.16	0.87	679,027	39.99	5.31
Compulsory automobile liability insurance	224,462	15.72	(1.03)	215,441	12.69	(4.02)
Others	188,400	13.20	(1.06)	302,254	17.80	60.43
Total	1,427,712	100.00	(2.32)	1,698,171	100.00	18.94

Note) Figures are amounts before the elimination of internal transactions between segments.

# Report of Independent Auditors



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## Independent Auditor's Report

The Board of Directors  
Sompo Holdings, Inc.

We have audited the accompanying consolidated financial statements of Sompo Holdings, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as of March 31, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sompo Holdings, Inc. and its consolidated subsidiaries as of March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

*Ernst & Young ShinNihon LLC*

June 28, 2018

# Consolidated Financial Statements

## Consolidated Balance Sheet

Sompo Holdings, Inc.

(Millions of yen)

	Notes No.	As of March 31, 2017		As of March 31, 2018		Increase (Decrease)
		Amount	Composition ratio	Amount	Composition ratio	
<b>Assets:</b>						
Cash and deposits	*5	814,217	6.82%	<b>894,437</b>	<b>7.49%</b>	80,220
Receivables under resale agreements		54,999	0.46	<b>74,998</b>	<b>0.63</b>	19,999
Monetary receivables bought	*5	11,718	0.10	<b>6,727</b>	<b>0.06</b>	(4,991)
Money trusts		104,423	0.88	<b>98,744</b>	<b>0.83</b>	(5,678)
Securities	*3, *5, *6	8,303,829	69.60	<b>8,275,132</b>	<b>69.26</b>	(28,696)
Loans	*4, *8	638,768	5.35	<b>668,419</b>	<b>5.59</b>	29,650
Tangible fixed assets:	*1, *2, *5	402,480	3.37	<b>354,593</b>	<b>2.97</b>	(47,886)
Land		172,575		<b>132,601</b>		(39,974)
Buildings		132,909		<b>123,682</b>		(9,226)
Leased assets		63,632		<b>59,305</b>		(4,326)
Construction in progress		2,774		<b>6,935</b>		4,161
Other tangible fixed assets		30,589		<b>32,069</b>		1,479
Intangible fixed assets:		469,825	3.94	<b>402,839</b>	<b>3.37</b>	(66,986)
Software		11,943		<b>20,090</b>		8,147
Goodwill		279,386		<b>223,977</b>		(55,409)
Other intangible fixed assets		178,495		<b>158,770</b>		(19,725)
Other assets		1,119,434	9.38	<b>1,155,305</b>	<b>9.67</b>	35,870
Net defined benefit asset		756	0.01	<b>1,062</b>	<b>0.01</b>	306
Deferred tax assets		17,194	0.14	<b>22,312</b>	<b>0.19</b>	5,117
Allowance for possible credit losses		(6,512)	(0.05)	<b>(6,249)</b>	<b>(0.05)</b>	263
<b>Total assets</b>		<b>11,931,135</b>	<b>100.00</b>	<b>11,948,323</b>	<b>100.00</b>	<b>17,188</b>



## Consolidated Balance Sheet (Continued)

Sompo Holdings, Inc.

(Millions of yen)

	Notes No.	As of March 31, 2017		As of March 31, 2018		Increase (Decrease)
		Amount	Composition ratio	Amount	Composition ratio	
<b>Liabilities:</b>						
Underwriting funds:		8,335,158	69.86%	<b>8,277,130</b>	<b>69.27%</b>	(58,027)
Reserve for outstanding losses and claims		1,674,277		<b>1,563,825</b>		(110,451)
Underwriting reserves		6,660,881		<b>6,713,304</b>		52,423
Corporate bonds		424,991	3.56	<b>512,045</b>	<b>4.29</b>	87,053
Other liabilities	*5	978,343	8.20	<b>939,362</b>	<b>7.86</b>	(38,980)
Net defined benefit liability		134,263	1.13	<b>102,992</b>	<b>0.86</b>	(31,271)
Reserve for retirement benefits to directors		36	0.00	<b>40</b>	<b>0.00</b>	4
Reserve for bonus payments		35,253	0.30	<b>31,731</b>	<b>0.27</b>	(3,522)
Reserve for bonus payments to directors		306	0.00	<b>290</b>	<b>0.00</b>	(15)
Reserve for stocks payments		445	0.00	<b>937</b>	<b>0.01</b>	491
Reserves under the special laws:		74,200	0.62	<b>86,095</b>	<b>0.72</b>	11,894
Reserve for price fluctuation		74,200		<b>86,095</b>		11,894
Deferred tax liabilities		79,195	0.66	<b>81,487</b>	<b>0.68</b>	2,291
<b>Total liabilities</b>		<b>10,062,195</b>	<b>84.34</b>	<b>10,032,113</b>	<b>83.96</b>	<b>(30,081)</b>
<b>Net assets:</b>						
Shareholders' equity:						
Common stock		100,045	0.84	<b>100,045</b>	<b>0.84</b>	—
Capital surplus		408,382	3.42	<b>408,335</b>	<b>3.42</b>	(47)
Retained earnings		501,561	4.20	<b>603,615</b>	<b>5.05</b>	102,054
Treasury stock		(71,459)	(0.60)	<b>(128,182)</b>	<b>(1.07)</b>	(56,722)
Total shareholders' equity		938,529	7.87	<b>983,814</b>	<b>8.23</b>	45,284
Accumulated other comprehensive income:						
Unrealized gains and losses on securities available for sale		863,455	7.24	<b>922,425</b>	<b>7.72</b>	58,970
Deferred gains and losses on hedges		8,003	0.07	<b>7,050</b>	<b>0.06</b>	(952)
Foreign currency translation adjustments		22,663	0.19	<b>(22,317)</b>	<b>(0.19)</b>	(44,981)
Remeasurements of defined benefit plans		(29,676)	(0.25)	<b>(3,205)</b>	<b>(0.03)</b>	26,471
Total accumulated other comprehensive income		864,445	7.25	<b>903,954</b>	<b>7.57</b>	39,509
Stock acquisition rights		926	0.01	<b>749</b>	<b>0.01</b>	(177)
Non-controlling interests		65,038	0.55	<b>27,692</b>	<b>0.23</b>	(37,346)
<b>Total net assets</b>		<b>1,868,940</b>	<b>15.66</b>	<b>1,916,210</b>	<b>16.04</b>	<b>47,269</b>
<b>Total liabilities and net assets</b>		<b>11,931,135</b>	<b>100.00</b>	<b>11,948,323</b>	<b>100.00</b>	<b>17,188</b>

# Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

## Consolidated Statement of Income

Sompo Holdings, Inc.

(Millions of yen)

	Notes No.	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)		Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)		Increase (Decrease)
		Amount	% of ordinary income	Amount	% of ordinary income	
<b>Ordinary income:</b>		3,419,530	100.00%	<b>3,770,052</b>	<b>100.00%</b>	350,522
Underwriting income:		3,050,550	89.21	<b>3,369,720</b>	<b>89.38</b>	319,170
Net premiums written		2,550,336		<b>2,854,755</b>		304,418
Deposits of premiums by policyholders		131,617		<b>120,380</b>		(11,236)
Interest and dividend income on deposits of premiums, etc.		41,823		<b>39,333</b>		(2,490)
Life insurance premiums written		323,860		<b>346,998</b>		23,137
Other underwriting income		2,911		<b>8,252</b>		5,341
Investment income:		232,846	6.81	<b>254,395</b>	<b>6.75</b>	21,548
Interest and dividend income		173,563		<b>190,863</b>		17,299
Investment gains on money trusts		2,534		<b>5,476</b>		2,941
Investment gains on trading securities		5,574		<b>11,461</b>		5,886
Gains on sales of securities		81,973		<b>83,450</b>		1,476
Gains on redemption of securities		256		<b>756</b>		500
Investment gains on special account		1,851		<b>1,478</b>		(372)
Other investment income		8,918		<b>242</b>		(8,676)
Transfer of interest and dividend income on deposits of premiums, etc.		(41,823)		<b>(39,333)</b>		2,490
Other ordinary income:		136,133	3.98	<b>145,936</b>	<b>3.87</b>	9,803
Investment gains on the equity method		398		<b>592</b>		194
Other ordinary income		135,734		<b>145,344</b>		9,609
<b>Ordinary expenses:</b>		3,177,817	92.93	<b>3,628,162</b>	<b>96.24</b>	450,345
Underwriting expenses:		2,515,138	73.55	<b>2,868,010</b>	<b>76.07</b>	352,872
Net claims paid		1,427,712		<b>1,698,171</b>		270,458
Loss adjustment expenses	*1	136,599		<b>138,317</b>		1,717
Net commissions and brokerage fees	*1	484,365		<b>516,938</b>		32,572
Maturity refunds to policyholders		226,431		<b>231,367</b>		4,936
Dividends to policyholders		87		<b>186</b>		99
Life insurance claims paid and other payments		82,779		<b>88,899</b>		6,120
Provision for reserve for outstanding losses and claims		31,018		<b>75,625</b>		44,606
Provision for underwriting reserves		118,856		<b>113,706</b>		(5,150)
Other underwriting expenses		7,285		<b>4,797</b>		(2,488)
Investment expenses:		41,213	1.21	<b>29,270</b>	<b>0.78</b>	(11,943)
Investment losses on money trusts		198		<b>168</b>		(29)
Losses on sales of securities		14,560		<b>9,682</b>		(4,878)
Impairment losses on securities		3,257		<b>3,745</b>		487
Losses on redemption of securities		192		<b>97</b>		(95)
Losses on derivatives		18,298		<b>11,546</b>		(6,752)
Other investment expenses		4,705		<b>4,030</b>		(675)
Operating, general and administrative expenses	*1	506,537	14.81	<b>608,427</b>	<b>16.14</b>	101,889
Other ordinary expenses:		114,927	3.36	<b>122,453</b>	<b>3.25</b>	7,526
Interest paid		9,657		<b>14,549</b>		4,892
Provision for allowance for possible credit losses		119		<b>—</b>		(119)
Losses on bad debt		120		<b>60</b>		(60)
Other ordinary expenses		105,029		<b>107,843</b>		2,814
Ordinary profit		241,713	7.07	<b>141,890</b>	<b>3.76</b>	(99,822)

## Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

### Consolidated Statement of Income (Continued)

Sompo Holdings, Inc.

(Millions of yen)

	Notes No.	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)		Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)		Increase (Decrease)
		Amount	% of ordinary income	Amount	% of ordinary income	
<b>Extraordinary gains:</b>		9,381	0.27%	<b>30,692</b>	<b>0.81%</b>	21,310
Gains on disposal of fixed assets		9,312		<b>4,714</b>		(4,598)
Other extraordinary gains	*3	69		<b>25,978</b>		25,909
<b>Extraordinary losses:</b>		19,105	0.56	<b>58,246</b>	<b>1.54</b>	39,140
Losses on disposal of fixed assets		6,983		<b>35,200</b>		28,217
Impairment losses	*2	387		<b>11,132</b>		10,744
Provision for reserves under the special laws:		11,713		<b>11,894</b>		181
Provision for reserve for price fluctuation		11,713		<b>11,894</b>		181
Losses on reduction of real estate		20		<b>18</b>		(2)
<b>Net income before income taxes</b>		231,989	6.78	<b>114,336</b>	<b>3.03</b>	(117,652)
<b>Income taxes</b>		58,171	1.70	<b>13,618</b>	<b>0.36</b>	(44,552)
<b>Deferred income taxes</b>		7,101	0.21	<b>(35,920)</b>	<b>(0.95)</b>	(43,021)
<b>Total income taxes</b>		65,272	1.91	<b>(22,301)</b>	<b>(0.59)</b>	(87,574)
<b>Net income</b>		166,716	4.88	<b>136,637</b>	<b>3.62</b>	(30,078)
<b>Net income (loss) attributable to non-controlling shareholders</b>		313	0.01	<b>(3,179)</b>	<b>(0.08)</b>	(3,493)
<b>Net income attributable to shareholders of the parent</b>		166,402	4.87	<b>139,817</b>	<b>3.71</b>	(26,585)
<b>Gross investment margin</b>		191,633		<b>225,124</b>		33,491
<b>Other ordinary income and expenses</b>		21,206		<b>23,483</b>		2,277
<b>Investment gains on the equity method</b>		398		<b>592</b>		194
<b>Extraordinary gains and losses</b>		(9,724)		<b>(27,554)</b>		(17,829)

## Consolidated Statement of Comprehensive Income

Sompo Holdings, Inc.

(Millions of yen)

	Notes No.	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)	Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
		Amount	Amount
<b>Net income</b>		166,716	<b>136,637</b>
<b>Other comprehensive income:</b>			
Unrealized gains and losses on securities available for sale		37,559	<b>59,196</b>
Deferred gains and losses on hedges		(2,507)	<b>(952)</b>
Foreign currency translation adjustments		30,176	<b>(43,504)</b>
Remeasurements of defined benefit plans		(5,026)	<b>26,458</b>
Share of other comprehensive income of affiliates accounted for under the equity method		30	<b>(81)</b>
Total other comprehensive income	*1	60,232	<b>41,116</b>
<b>Comprehensive income</b>		226,949	<b>177,754</b>
(Comprehensive income attributable to)			
Comprehensive income attributable to shareholders of the parent		227,039	<b>180,373</b>
Comprehensive income attributable to non-controlling shareholders		(90)	<b>(2,618)</b>

## Consolidated Statement of Changes in Net Assets

Sompo Holdings, Inc.

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	100,045	411,086	364,888	(36,975)	839,045
Changes during the period:					
Dividends			(31,925)		(31,925)
Net income attributable to shareholders of the parent			166,402		166,402
Acquisition of treasury stock				(35,230)	(35,230)
Disposal of treasury stock		(229)		745	516
Changes in the scope of consolidation			2,195		2,195
Changes in interest of the parent related to transactions with non-controlling shareholders		(2,474)			(2,474)
Net changes in items other than shareholders' equity					
Total changes during the period	—	(2,703)	136,672	(34,484)	99,484
Balance at the end of the period	100,045	408,382	501,561	(71,459)	938,529

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Unrealized gains and losses on securities available for sale	Deferred gains and losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	825,912	10,510	(7,965)	(24,648)	803,808	1,486	8,498	1,652,839
Changes during the period:								
Dividends								(31,925)
Net income attributable to shareholders of the parent								166,402
Acquisition of treasury stock								(35,230)
Disposal of treasury stock								516
Changes in the scope of consolidation								2,195
Changes in interest of the parent related to transactions with non-controlling shareholders								(2,474)
Net changes in items other than shareholders' equity	37,542	(2,507)	30,629	(5,027)	60,636	(560)	56,539	116,615
Total changes during the period	37,542	(2,507)	30,629	(5,027)	60,636	(560)	56,539	216,100
Balance at the end of the period	863,455	8,003	22,663	(29,676)	864,445	926	65,038	1,868,940

## Consolidated Statement of Changes in Net Assets (Continued)

Sompo Holdings, Inc.

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	<b>100,045</b>	<b>408,382</b>	<b>501,561</b>	<b>(71,459)</b>	<b>938,529</b>
Changes during the period:					
Dividends			<b>(41,027)</b>		<b>(41,027)</b>
Net income attributable to shareholders of the parent			<b>139,817</b>		<b>139,817</b>
Acquisition of treasury stock				<b>(56,941)</b>	<b>(56,941)</b>
Disposal of treasury stock		<b>(45)</b>		<b>219</b>	<b>173</b>
Changes in the scope of consolidation			<b>2,332</b>		<b>2,332</b>
Changes in interest of the parent related to transactions with non-controlling shareholders		<b>(1)</b>			<b>(1)</b>
Others			<b>931</b>		<b>931</b>
Net changes in items other than shareholders' equity					
Total changes during the period	<b>—</b>	<b>(47)</b>	<b>102,054</b>	<b>(56,722)</b>	<b>45,284</b>
Balance at the end of the period	<b>100,045</b>	<b>408,335</b>	<b>603,615</b>	<b>(128,182)</b>	<b>983,814</b>

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Unrealized gains and losses on securities available for sale	Deferred gains and losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	<b>863,455</b>	<b>8,003</b>	<b>22,663</b>	<b>(29,676)</b>	<b>864,445</b>	<b>926</b>	<b>65,038</b>	<b>1,868,940</b>
Changes during the period:								
Dividends								<b>(41,027)</b>
Net income attributable to shareholders of the parent								<b>139,817</b>
Acquisition of treasury stock								<b>(56,941)</b>
Disposal of treasury stock								<b>173</b>
Changes in the scope of consolidation								<b>2,332</b>
Changes in interest of the parent related to transactions with non-controlling shareholders								<b>(1)</b>
Others								<b>931</b>
Net changes in items other than shareholders' equity	<b>58,970</b>	<b>(952)</b>	<b>(44,981)</b>	<b>26,471</b>	<b>39,509</b>	<b>(177)</b>	<b>(37,346)</b>	<b>1,985</b>
Total changes during the period	<b>58,970</b>	<b>(952)</b>	<b>(44,981)</b>	<b>26,471</b>	<b>39,509</b>	<b>(177)</b>	<b>(37,346)</b>	<b>47,269</b>
Balance at the end of the period	<b>922,425</b>	<b>7,050</b>	<b>(22,317)</b>	<b>(3,205)</b>	<b>903,954</b>	<b>749</b>	<b>27,692</b>	<b>1,916,210</b>

# Consolidated Statement of Cash Flows

Sompo Holdings, Inc.

(Millions of yen)

	Notes No.	Fiscal year ended	Fiscal year ended	Increase (Decrease)
		March 31, 2017 (April 1, 2016 to March 31, 2017)	March 31, 2018 (April 1, 2017 to March 31, 2018)	
		Amount	Amount	Amount
<b>Cash flows from operating activities:</b>				
Net income before income taxes		231,989	<b>114,336</b>	(117,652)
Depreciation		25,603	<b>73,069</b>	47,466
Impairment losses		387	<b>11,132</b>	10,744
Amortization of goodwill		8,907	<b>25,731</b>	16,823
Increase (decrease) in reserve for outstanding losses and claims		21,218	<b>91,837</b>	70,618
Increase (decrease) in underwriting reserves		114,436	<b>110,798</b>	(3,638)
Increase (decrease) in allowance for possible credit losses		88	<b>(222)</b>	(310)
Increase (decrease) in net defined benefit liability		2,985	<b>4,877</b>	1,891
Increase (decrease) in reserve for retirement benefits to directors		(78)	<b>4</b>	82
Increase (decrease) in reserve for bonus payments		146	<b>(1,547)</b>	(1,694)
Increase (decrease) in reserve for bonus payments to directors		125	<b>(15)</b>	(141)
Increase (decrease) in reserve for stocks payments		445	<b>491</b>	45
Increase (decrease) in reserve for price fluctuation		11,713	<b>11,894</b>	181
Interest and dividend income		(173,563)	<b>(190,863)</b>	(17,299)
Losses (gains) on investment in securities		(64,217)	<b>(70,667)</b>	(6,449)
Interest expenses		9,657	<b>14,549</b>	4,892
Foreign exchange losses (gains)		(8,623)	<b>(1,349)</b>	7,274
Losses (gains) related to tangible fixed assets		(7,429)	<b>28,220</b>	35,650
Losses (gains) related to loans		1	<b>1</b>	0
Investment losses (gains) on the equity method		(398)	<b>(592)</b>	(194)
Decrease (increase) in other assets (other than investing and financing activities)		(15,360)	<b>(71,583)</b>	(56,223)
Increase (decrease) in other liabilities (other than investing and financing activities)		20,947	<b>9,294</b>	(11,653)
Others		34,503	<b>(15,167)</b>	(49,670)
Subtotal		213,486	<b>144,227</b>	(69,258)
Interest and dividend received		175,913	<b>193,223</b>	17,309
Interest paid		(8,250)	<b>(13,906)</b>	(5,656)
Income taxes paid		(18,228)	<b>(77,109)</b>	(58,880)
Cash flows from operating activities		362,920	<b>246,433</b>	(116,486)



## Consolidated Statement of Cash Flows (Continued)

Sompo Holdings, Inc.

(Millions of yen)

	Notes No.	Fiscal year ended	Fiscal year ended	Increase (Decrease)
		March 31, 2017 (April 1, 2016 to March 31, 2017)	March 31, 2018 (April 1, 2017 to March 31, 2018)	
		Amount	Amount	Amount
<b>Cash flows from investing activities:</b>				
Net decrease (increase) in deposits		(35,467)	<b>(22,547)</b>	12,919
Purchase of monetary receivables bought		—	<b>(415)</b>	(415)
Proceeds from sales and redemption of monetary receivables bought		3,410	<b>5,173</b>	1,762
Increase in money trusts		(16,737)	<b>(96)</b>	16,640
Decrease in money trusts		33,185	<b>8,531</b>	(24,654)
Purchase of securities		(1,345,927)	<b>(1,589,361)</b>	(243,434)
Proceeds from sales and redemption of securities		1,410,254	<b>1,581,387</b>	171,132
Loans made		(212,039)	<b>(198,238)</b>	13,800
Collection of loans		173,918	<b>154,792</b>	(19,125)
Net increase (decrease) in receivables under securities borrowing transactions and payables under securities lending transactions		—	<b>22,921</b>	22,921
Others		44,975	<b>(11,354)</b>	(56,330)
Total of investment transactions		55,573	<b>(49,207)</b>	(104,781)
Total of operating activities and investment transactions as above		418,494	<b>197,226</b>	(221,268)
Acquisition of tangible fixed assets		(15,786)	<b>(24,178)</b>	(8,391)
Proceeds from sales of tangible fixed assets		12,302	<b>24,298</b>	11,995
Acquisition of stocks of subsidiaries resulting in changes in the scope of consolidation		(549,226)	—	549,226
Proceeds from sales of stocks of subsidiaries resulting in changes in the scope of consolidation	*2	—	<b>67,991</b>	67,991
Others		(29,531)	<b>(50,763)</b>	(21,231)
Cash flows from investing activities		(526,668)	<b>(31,859)</b>	494,809
<b>Cash flows from financing activities:</b>				
Proceeds from borrowings		50	<b>152,150</b>	152,100
Repayments of borrowings		(6,728)	<b>(15,937)</b>	(9,209)
Proceeds from issuance of corporate bonds		200,000	<b>100,000</b>	(100,000)
Redemption of corporate bonds		(115)	<b>(11,300)</b>	(11,184)
Net increase (decrease) in payables under securities lending transactions		250,063	<b>(154,345)</b>	(404,409)
Proceeds from sales of treasury stock		25	<b>46</b>	20
Acquisition of treasury stock		(35,230)	<b>(56,941)</b>	(21,710)
Dividends paid		(31,885)	<b>(40,983)</b>	(9,097)
Dividends paid to non-controlling shareholders		(72)	<b>(7,205)</b>	(7,132)
Repayments to non-controlling shareholders		—	<b>(25,990)</b>	(25,990)
Acquisition of stocks of subsidiaries that do not result in changes in the scope of consolidation		(4,678)	<b>(16)</b>	4,661
Others		(7,593)	<b>(6,073)</b>	1,519
Cash flows from financing activities		363,835	<b>(66,597)</b>	(430,432)
<b>Effect of exchange rate changes on cash and cash equivalents</b>		(5,679)	<b>3,365</b>	9,044
<b>Increase (decrease) in cash and cash equivalents</b>		194,408	<b>151,343</b>	(43,065)
<b>Cash and cash equivalents at the beginning of the period</b>		576,791	<b>773,466</b>	196,675
<b>Increase in cash and cash equivalents resulting from newly consolidated subsidiaries</b>		—	<b>6,224</b>	6,224
<b>Increase in cash and cash equivalents resulting from merger</b>		2,266	—	(2,266)
<b>Cash and cash equivalents at the end of the period</b>	*1	773,466	<b>931,033</b>	157,567

# Notes to the Consolidated Financial Statements

Sompo Holdings, Inc.

## 1. Significant Accounting Policies for the Preparation of the Consolidated Financial Statements

### 1. Scope of consolidation

#### (1) Number of consolidated subsidiaries: 73 companies

Name of major subsidiaries

Sompo Japan Nipponkoa Insurance Inc.  
SAISON AUTOMOBILE AND FIRE INSURANCE COMPANY, LIMITED  
Sompo 24 Insurance Company Limited  
Sompo Japan Nipponkoa Insurance Services Inc.  
Sompo Japan Nipponkoa Himawari Life Insurance, Inc.  
Sompo Care Message Inc.  
Sompo Care Next Inc.  
Sompo Risk Management & Health Care Inc.  
SOMPO JAPAN NIPPONKOA ASSET MANAGEMENT CO., LTD.  
Sompo Japan Nipponkoa DC Securities Inc.  
Sompo International Holdings Ltd.  
Endurance Specialty Insurance Ltd.  
Endurance U.S. Holdings Corp.  
Sompo America Insurance Company  
Endurance Worldwide Holdings Limited  
Endurance Worldwide Insurance Limited  
Sompo International Holdings (Europe) Limited  
SI Insurance (Europe), SA  
Sompo Japan Nipponkoa Insurance Company of Europe Limited  
Sompo Japan Sigorta Anonim Sirketi  
Sompo Holdings (Asia) Pte. Ltd.  
Sompo Insurance Singapore Pte. Ltd.  
Berjaya Sompo Insurance Berhad  
PT Sompo Insurance Indonesia  
Sompo Insurance China Co., Ltd.  
Sompo Insurance (Hong Kong) Company Limited  
Sompo Seguros S.A.  
Sompo Saúde Seguros S.A.

Sompo America Holdings Inc. was merged by absorption into Endurance U.S. Holdings Corp. on December 31, 2017.

Endurance Specialty Holdings Ltd. is excluded from the scope of consolidation during the fiscal year ended March 31, 2018 because the liquidation procedure has been completed on November 7, 2017. Sompo International Holdings (Europe) Limited and SI Insurance (Europe), SA became subsidiaries and thus are included in the scope of consolidation in the fiscal year ended March 31, 2018.

Sompo Canopus AG (renamed Canopus AG on January 4, 2018) and its group companies are excluded from the scope of consolidation during the fiscal year ended March 31, 2018 because they ceased to be subsidiaries due to the share transfer. The consolidated statement of income and consolidated statement of comprehensive income include their profits and losses up to the end of the fiscal year ended March 31, 2018. PT Sompo Insurance Indonesia is included in the scope of consolidation in the fiscal year ended March 31, 2018, due to an increase in its materiality.

Sompo Japan Nipponkoa Insurance (China) Co., Ltd. changed its name to Sompo Insurance China Co., Ltd. on July 1, 2017.

#### (2) Names of major non-consolidated subsidiaries

Names of major subsidiaries

- Sompo Insurance (Thailand) Public Company Limited
- Sompo Japan Nipponkoa Reinsurance Company Limited

As the non-consolidated subsidiaries do not have a material impact on reasonable judgment about the financial conditions and results of operations of Sampo Holdings Group (“SOMPO HOLDINGS”) in terms of total assets, ordinary income, net income or loss and retained earnings, etc. to the extent of equity position of Sampo Holdings, Inc. (“the Company”), they are excluded from the scope of consolidation.

## **2. Application of the equity method**

### **(1) Number of affiliates accounted for under the equity method: 4 companies**

Name of major affiliates

- Hitachi Capital Insurance Corporation
- Universal Sampo General Insurance Company Limited

**(2) The non-consolidated subsidiaries and affiliates (Sampo Insurance (Thailand) Public Company Limited and Sampo Japan Nipponkoa Reinsurance Company Limited, etc.) do not have a material impact on the consolidated financial statements in terms of net income or loss and retained earnings, etc. to the extent of the equity position of the Company even if they are excluded from the scope of the equity method, and they do not have a material impact as a whole. Therefore they are excluded from the scope of the equity method.**

**(3) The Company holds 26.6% of voting rights of Japan Earthquake Reinsurance Co., Ltd. (“J.E.R.”) through its domestic consolidated property and casualty insurance subsidiaries. As J.E.R. is engaged in public business and the Company is not considered to have a material impact on J.E.R.’s decisions of finance, promotion and business strategy, J.E.R. is excluded from affiliates.**

## **3. The fiscal year of consolidated subsidiaries**

The balance sheet dates of the foreign consolidated subsidiaries are December 31. As the difference between the balance sheet dates and the consolidated balance sheet date does not exceed three months, the financial statements as of December 31 are used for the preparation of the consolidated financial statements.

Necessary adjustments are made for the significant transactions during the periods from the balance sheet dates of the subsidiaries to the consolidated balance sheet date.

## **4. Accounting policies**

### **(1) Valuation policies and methods for securities**

(a) Trading securities are carried at fair value.

Cost of sale is calculated based on the moving-average method.

(b) Bonds held to maturity are carried at amortized cost based on the moving-average method.

(c) Policy reserve matching bonds are carried at amortized cost based on the moving-average method in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy Reserve Matching Bonds in the Insurance Industry” (Japanese Institute of Certified Public Accountants Industry Audit Practice Committee Report No.21).

The outline of risk management policy in relation to policy reserve matching bonds is as follows.

Domestic consolidated life insurance subsidiary sets up the sub-category for individual insurance depending on line of business and investment policy, etc., and follows the management policy to match the duration of the policy reserve in the sub-category with the duration of policy reserve matching bonds within a certain range.

(d) Stocks of non-consolidated subsidiaries and affiliates that are not accounted for under the equity method are carried at cost based on the moving-average method.

(e) Securities available for sale (excluding securities available for sale which are considered extremely difficult to figure out their fair value) are carried at fair value based on the market price and other factors at the end of the fiscal year.

Unrealized gains and losses are directly included in net assets and cost of sale is calculated based on the moving-average method.

(f) Securities available for sale which are considered extremely difficult to figure out their fair value are carried at cost based on the moving-average method.

(g) Securities managed as trust assets in individually operated money trusts for primarily trading purposes are carried at fair value.

(h) Securities managed as trust assets in individually operated money trusts classified as other than trading purposes or held to maturity are carried on the same basis as that of securities available for sale.

## **(2) Valuation policies and methods for derivative transactions**

Derivative transactions are carried at fair value.

## **(3) Depreciation methods of significant depreciable assets**

(a) Tangible fixed assets (excluding leased assets)

Depreciation of tangible fixed assets (excluding leased assets) is calculated by using the straight-line method.

(Changes in accounting policies which are difficult to distinguish from changes in accounting estimates)

The Company and its domestic consolidated subsidiaries have changed the depreciation method for tangible fixed assets from the declining-balance method to the straight-line method since the beginning of the fiscal year 2017. Previously, the Company and its domestic consolidated subsidiaries applied the declining-balance method for depreciation of tangible fixed assets except for buildings acquired on or after April 1, 1998 and structures and fixtures attached to buildings acquired on or after April 1, 2016, to which the straight-line method was applied.

The proportion of companies adopting the straight-line method has increased due to the recent expansion in our overseas insurance business. In addition, in domestic P&C insurance business, it is expected that tangible fixed assets will be used stably over their useful lives in the future, due to the completion of combination and reorganization of bases and system integration resulting from merger. For these reasons, the Company and its domestic consolidated subsidiaries reviewed unification of its depreciation methods and determined that allocating depreciation expenses equally represents the actual situation more and is a reasonable method. Herewith, SOMPO HOLDINGS will be able to unify accounting policies applied by domestic consolidated subsidiaries with those applied by overseas consolidated subsidiaries that have been using the straight-line method, and be able to provide more useful financial information.

As a result of this change, both ordinary profit and net income before income taxes for the fiscal year ended March 31, 2018 increased by 3,011 million yen, compared with the previous accounting method.

(b) Intangible fixed assets (excluding leased assets)

Amortization of intangible fixed assets (excluding leased assets) is calculated by using the straight-line method.

As for intangible fixed assets acquired through the acquisition of overseas subsidiaries, amortization is being carried out over the estimated period of its effect and as its effect emerges.

Amortization of software for internal use held by the consolidated subsidiaries is calculated by using the straight-line method based on the estimated useful lives.

(c) Leased assets

Leased assets under finance lease transactions that are not deemed to transfer ownership of the leased assets to the lessee for the domestic consolidated subsidiaries have been depreciated using the straight-line method over the period of the lease.

#### **(4) Accounting policies for significant reserves**

(a) Allowance for possible credit losses

In order to provide for losses from defaults, the domestic consolidated insurance subsidiaries establish allowance for possible credit losses in accordance with the internal standards for self-assessment of assets and the policy of write-off and provision.

For claims against debtors that have legally, formally or substantially entered into bankruptcy, special liquidation or whose notes have been under suspension at clearing houses, allowances are provided based on the amount remaining after deduction of the estimated collectable amounts by the disposal of collateral and by guarantees.

For claims against debtors that are highly likely to go bankrupt in the future, allowances are provided based on the amount considered necessary according to overall solvency assessment of the debtor, after deduction of estimated collectable amounts by disposal of collateral and by guarantees.

For claims other than those described above, allowances are provided based on the amount of claims multiplied by the default rate, which is calculated based on historical credit loss experience for a certain period in the past.

The departments responsible for respective assets assess relevant claim in accordance with the internal standards for self-assessment of assets. The asset auditing department independently reviews the results and allowances are provided based on the reviewed results.

The other consolidated subsidiaries determine mainly the collectability of the receivables respectively to provide allowances to cover the estimated future losses.

(b) Reserve for retirement benefits to directors

In order to provide for retirement benefits to directors, the domestic consolidated subsidiaries record the amount deemed accrued at the end of the fiscal year based on internal regulations.

(c) Reserve for bonus payments

In order to provide for employees' bonus payments, reserve for bonus payments is recorded, with the estimated amount to be paid at the end of the fiscal year.

(d) Reserve for bonus payments to directors

In order to provide for directors' bonus payments, reserve for bonus payments to directors is recorded, with the estimated amount to be paid at the end of the fiscal year.

(e) Reserve for stocks payments

In order to provide for the grant of Company shares to directors (excluding outside directors) and executive officers of SOMPO HOLDINGS, according to the "Rules on Distribution of Shares for Officers," reserve for stocks payments is recorded, with the estimated amount of the stock payment obligation at the end of the fiscal year.

(f) Reserve for price fluctuation

In order to provide for possible losses arising from price fluctuation of stock, etc., the domestic consolidated insurance subsidiaries set aside reserves under Article 115 of the Insurance Business Act.

#### **(5) Methods of accounting procedures for retirement benefits**

(a) Allocation method of projected retirement

Benefit formula method is mainly used for calculating retirement benefit obligation as the method for attributing projected retirement benefits to the end of the current consolidated fiscal year.

(b) Amortization method of actuarial difference and prior service costs

Actuarial difference is mainly amortized from the following fiscal year by using the straight-line attribution method over certain years (10 to 11 years) within the average remaining service years of employees in each fiscal year when the difference occurs.

Prior service costs are mainly amortized by using the straight-line method over certain years (5 years) within the average remaining service years of employees at the time of occurrence.

**(6) Significant hedge accounting**

Generally the consolidated subsidiaries apply the exceptional treatment for certain interest rate swaps to hedge cash flow fluctuation risk of floating-rate loans and bonds to the extent that such transactions meet the conditions required for the application of the exceptional treatment.

The deferred hedge accounting method is applied to interest rate swaps to hedge interest rate fluctuation risk related to long-term insurance contracts based on "The Accounting and Auditing Treatment on the Application of the Financial Products Accounting Standard to the Insurance Industry" (Japanese Institute of Certified Public Accountants Industry Audit Practice Committee Report No. 26). Since insurance liabilities as hedged item and interest rate swaps as hedging instrument are grouped by certain remaining periods, and then designated as hedge, the hedge is highly effective and the assessment of hedge effectiveness is omitted. The consolidated subsidiaries apply the fair value hedge accounting method to equity swaps for hedging the future stock price fluctuation risks.

Generally the fair value hedge accounting method is applied to forward foreign exchanges, currency options and currency swaps in order to reduce foreign exchange rate fluctuation risk on foreign currency denominated assets, etc. The assignment accounting as an exceptional treatment is applied to certain transactions to the extent that such transactions meet the conditions required for application of the assignment accounting. Deferred hedge is applied to the part of foreign exchange forward contracts to fix yen denominated cash flow from foreign currency denominated forecast transactions. The assignment accounting is applied to currency swaps in order to reduce foreign exchange rate fluctuation risk on foreign currency denominated corporate bonds issued by the domestic consolidated insurance subsidiary and foreign currency denominated borrowings.

Hedge effectiveness is assessed by periodically comparing the accumulated fluctuations of the market value or cash flows of the hedged item to those of the related hedging instrument for the period from the commencement of the hedge to the date of assessment.

However, when the significant conditions are shared among the hedged item and the hedging instrument and its effectiveness is obviously considered high, when interest rate swaps meet requirements for applying the exceptional treatment or when certain transactions fulfill the required conditions to apply the assignment accounting, the assessment of the hedge effectiveness is omitted.

**(7) Method and period of amortization of goodwill**

Goodwill is amortized in equal installments over 10 to 20 years.

Immaterial amounts of goodwill are amortized at one time.

**(8) Cash and cash equivalents in the consolidated statement of cash flows**

Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand, demand deposits and short-term investments with original maturities or redemption of three months or less, which can be cashed easily and have little risk of fluctuation in value.

**(9) Accounting methods for consumption taxes**

The Company and its domestic consolidated subsidiaries account for consumption taxes by using the tax-excluded method, except for the domestic consolidated insurance subsidiaries' expenses such as loss adjustment expenses and operating, general and administrative expenses mainly under the tax-included method.

Non-deductible consumption taxes relating to assets are mainly included in other assets and amortized in equal installments over 5 years.



(Changes in presentation)

(Consolidated statement of cash flows)

“Proceeds from borrowings” and “Repayments of borrowings” included in “Others” of “Cash flows from financing activities” in the previous fiscal year are separately presented in the current fiscal year due to an increase in its materiality. In order to reflect such change in presentation, consolidated financial statements for the previous fiscal year are reclassified.

As a result, (14,271) million yen that was included in “Others” of “Cash flows from financing activities” in the consolidated statement of cash flows for the previous fiscal year is reclassified into 50 million yen of “Proceeds from borrowings,” (6,728) million yen of “Repayments of borrowings” and (7,593) million yen of “Others.”

(Additional information)

Introduction of a performance-linked stock compensation plan

The Company introduced the “Board Benefit Trust (BBT)” (hereinafter referred to as the “Plan”), a performance-linked stock compensation plan for directors (excluding outside directors) and executive officers of SOMPO HOLDINGS.

(1) Outline of the transactions involved

The Company established the “Rules of the Stock Benefit Trust for Directors” (hereinafter the “Rules”) as prerequisite to the introduction of the Plan. Based on the Rules established, the Company contributes money to a trust bank as fund for acquiring shares to be delivered later, and the trust bank has duly acquired shares in the Company using the money trusted thereto (hereinafter the “Trust”).

The Plan is a scheme for delivering shares, based on the Rules, to directors (excluding outside directors) and executive officers of SOMPO HOLDINGS, in proportion to the points granted thereto.

(2) Accounting treatment

The gross method is adopted based on the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc. through Trusts” (Accounting Standards Board of Japan Practical Issue Task Force No. 30, March 26, 2015). Expenses and corresponding reserve are provided based on the number of points granted to officers according to the Rules.

Shares in the Company remaining in the Trust are recorded as treasury stock under shareholders’ equity, and its carrying amount is 1,691 million yen and its number of shares is 612,800 shares at the end of the fiscal year ended March 31, 2017, while its carrying amount is 1,646 million yen and its number of shares is 596,300 shares at the end of the fiscal year ended March 31, 2018.

## 2. Notes to the Consolidated Balance Sheet

**\*1. The amounts of accumulated depreciation of tangible fixed assets are as follows.**

(Millions of yen)	
As of March 31, 2017	As of March 31, 2018
433,539	399,543

**\*2. The amounts of advanced depreciation of tangible fixed assets are as follows.**

(Millions of yen)	
As of March 31, 2017	As of March 31, 2018
19,253	17,319

Note) The amounts of advanced depreciation deducted from the acquisition cost of tangible fixed assets newly purchased after the receipt of subsidy from the government for the fiscal year ended March 31, 2017 are 20 million yen.  
The amounts of advanced depreciation deducted from the acquisition cost of tangible fixed assets newly purchased after the receipt of subsidy from the government for the fiscal year ended March 31, 2018 are 18 million yen.

**\*3. Investments in non-consolidated subsidiaries and affiliates are as follows.**

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Securities (stocks)	26,392	23,642
Securities (equity interests)	2,444	2,688

**\*4. The amounts of loans to borrowers in bankruptcy, etc. are as follows.**

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Loans to borrowers in bankruptcy	48	—
Overdue loans	419	285
Loans overdue for three months or more	13	18
Restructured loans	—	—
Total	480	303

Note) Loans to borrowers in bankruptcy represent non-accrual loans which meet the events defined in Article 96, paragraph (1), item (iii) (a) to (e) (the maximum amount transferable to allowance for possible credit losses) or Article 96, paragraph (1), item (iv) of the "Order for Enforcement of the Corporation Tax Act" (Cabinet Order No. 97 of 1965). Non-accrual loans are defined as loans (excluding the portion of the loans that were written off), on which accrued interest receivable is not recognized because payments of principal or interest are overdue for considerable periods and therefore are regarded as improbable.

Overdue loans represent non-accrual loans other than (a) loans to borrowers in bankruptcy or (b) loans on which grace on interest payments has been granted in order to assist or facilitate the restructuring of borrowers in financial difficulties.

Loans overdue for three months or more represent, among loans which are not included in loans to borrowers in bankruptcy or overdue loans, loans on which the payment of principal or interest has been delayed for three months or more from the date following the due date.

Restructured loans represent, among loans which are not included in any of the above categories, loans on which favorable terms for the benefit of borrowers such as interest exemption or reduction, grace on interest payments, grace on principal repayments or forgiveness of debts have been granted in order to assist or facilitate the restructuring of borrowers in financial difficulties.

**\*5. Pledged assets and secured debts are as follows.**

Pledged assets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Deposits	77,735	42,621
Monetary receivables bought	1,723	—
Securities	733,801	527,533
Tangible fixed assets	9,201	8,881
Total	822,461	579,036

Note) The above figures are collateral for the borrowings and securities which are put into as deposited assets for overseas operation and others.

Secured debts

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Other liabilities (payables under securities lending transactions)	250,063	118,639
Other liabilities (borrowings)	6,538	5,902
Other liabilities (deposits)	96	96
Total	256,698	124,638

The above securities include in pledged securities as collateral under securities lending transactions secured by cash. The amounts of securities are as follows.

(Millions of yen)

As of March 31, 2017	As of March 31, 2018
237,232	109,866

**\*6. The amounts of lending securities under loan agreements of securities are as follows.**

(Millions of yen)

As of March 31, 2017	As of March 31, 2018
303,227	207,887

**7. Of the securities received as collateral under derivative transactions, those which SOMPO HOLDINGS holds rights to dispose of by sale or provision of collateral at its discretion are as follows.**

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Securities which SOMPO HOLDINGS does not dispose of but retains	22,320	—

**\*8. The amounts of loan commitments outstanding are as follows.**

(Millions of yen)

As of March 31, 2017	As of March 31, 2018
11,555	11,863

**9. The guarantee of obligations regarding to the underwriting of companies other than the consolidated companies are as follows.**

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Canopius Reinsurance AG	—	25,102

### 3. Notes to the Consolidated Statement of Income

**\*1. Main components of operating expenses are as follows.**

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)	Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
Agency commissions, etc.	480,295	496,934
Salaries	231,159	250,816

Note) Operating expenses represent the sum of loss adjustment expenses, operating, general and administrative expenses and net commissions and brokerage fees included in the consolidated statement of income.

**\*2. Main components of impairment losses are as follows.**

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

Omitted as they are not material.

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

Purpose of use	Category	Location	Impairment losses			
			Land	Buildings	Goodwill	Total
Properties for rent	Land and buildings	Land and buildings in Kyoto	1,395	64	—	1,459
Idle properties	Land and buildings	3 properties, including land and buildings in Aichi	965	313	—	1,279
—	Goodwill	—	—	—	8,393	8,393
Total			2,360	378	8,393	11,132

The Company and its domestic consolidated insurance subsidiaries categorize properties used for the insurance business as a single asset group for the entire insurance business. Each property for rent, idle property and expected disposal property is categorized as an individual asset group, and goodwill is categorized as a single asset group for each consolidated subsidiary. The other consolidated subsidiaries categorize properties used for the business as a single asset group for each subsidiary.

Concerning properties for rent and idle properties whose profitability is decreased significantly, due mainly to a decline in the prices of land, the consolidated subsidiaries devalue the book value of those properties to the recoverable value, and these devaluations are recorded as impairment losses in extraordinary losses. As for goodwill, in association with the conclusion of the share transfer agreement to sell all of the shares of Canopius AG, unamortized balance of goodwill is reduced to the recoverable value and this devaluation is recorded as impairment losses in extraordinary losses.

The recoverable value of properties for rent and idle properties is calculated by using the net selling price. The net selling price is the appraisal value measured by the real estate appraisers. The recoverable value of goodwill is measured by using the net selling price, and calculated based on the scheduled selling price.

**\*3. Other extraordinary gains are as follows.**

	(Millions of yen)	
	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)	Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
Gains on liquidation of subsidiaries	—	25,927
Gains on reversal of stock acquisition rights	69	50

#### 4. Note to the Consolidated Statement of Comprehensive Income

**\*1. Reclassification adjustments and the related tax effects concerning other comprehensive income**

	(Millions of yen)	
	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)	Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
Unrealized gains and losses on securities available for sale		
The amount occurred during the period	130,030	164,466
Reclassification adjustments	(80,512)	(82,680)
Before tax effects adjustments	49,518	81,786
Tax effects	(11,959)	(22,589)
Unrealized gains and losses on securities available for sale	37,559	59,196
Deferred gains and losses on hedges		
The amount occurred during the period	14,186	1,999
Reclassification adjustments	(4,213)	1,560
Adjustment on the cost of the assets	(13,463)	(4,887)
Before tax effects adjustments	(3,490)	(1,327)
Tax effects	982	375
Deferred gains and losses on hedges	(2,507)	(952)
Foreign currency translation adjustments		
The amount occurred during the period	30,176	(10,927)
Reclassification adjustments	—	(32,577)
Foreign currency translation adjustments	30,176	(43,504)
Remeasurements of defined benefit plans		
The amount occurred during the period	(9,507)	32,933
Reclassification adjustments	2,534	3,748
Before tax effects adjustments	(6,973)	36,681
Tax effects	1,947	(10,223)
Remeasurements of defined benefit plans	(5,026)	26,458
Share of other comprehensive income of affiliates accounted for under the equity method		
The amount occurred during the period	123	(24)
Reclassification adjustments	(92)	(56)
Share of other comprehensive income of affiliates accounted for under the equity method	30	(81)
Total other comprehensive income	60,232	41,116

## 5. Notes to the Consolidated Statement of Changes in Net Assets

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

### 1. Type and number of shares outstanding and of treasury stock

	Number of shares at the beginning of the period (thousand shares)	Increase during the period (thousand shares)	Decrease during the period (thousand shares)	Number of shares at the end of the period (thousand shares)
Shares outstanding				
Common stock	415,352	—	—	415,352
Total	415,352	—	—	415,352
Treasury stock				
Common stock	11,189	10,990	226	21,953
Total	11,189	10,990	226	21,953

Notes)

- Treasury stock of common stock at the end of the period includes 612 thousand shares in the Company held by the Board Benefit Trust (BBT).
- Breakdown of increase in treasury stock of common stock of 10,990 thousand shares is as follows.
  - Increase due to acquisition of treasury stock in accordance with approval by Board of Directors: 10,366 thousand shares
  - Increase due to acquisition by the BBT: 615 thousand shares
  - Increase due to purchase of shares less than a full trading unit: 8 thousand shares
- Breakdown of decrease in treasury stock of common stock of 226 thousand shares is as follows.
  - Decrease due to disposal of treasury stock related to exercise of stock acquisition rights: 223 thousand shares
  - Decrease due to disposal of treasury stock related to exercise of rights of the BBT: 2 thousand shares
  - Decrease due to sales of shares less than a full trading unit: 0 thousand shares

### 2. Stock acquisition rights

Category	Breakdown of stock acquisition rights	Balance at the end of the period (millions of yen)
Sompo Holdings, Inc.	Stock acquisition rights for stock options	926
Total		926

### 3. Dividends

#### (1) Dividends paid

Resolution	Type of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
General meeting of stockholders held on June 27, 2016	Common stock	16,166	40	March 31, 2016	June 28, 2016
The Board of Directors' meeting held on November 18, 2016	Common stock	15,758	40	September 30, 2016	December 6, 2016

Note) The "total amount of dividends" based on the resolution of the Board of Directors held on November 18, 2016 includes 24 million yen in dividends paid on the shares in the Company held by the BBT.

#### (2) Of dividends recorded in the current fiscal year, dividends effective in the following fiscal year

Resolution	Type of shares	Total amount of dividends (millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
General meeting of stockholders held on June 26, 2017	Common stock	19,700	Retained earnings	50	March 31, 2017	June 27, 2017

Note) The "total amount of dividends" based on the resolution of the general meeting of stockholders held on June 26, 2017 includes 30 million yen in dividends paid on the shares in the Company held by the BBT.

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

## 1. Type and number of shares outstanding and of treasury stock

	Number of shares at the beginning of the period (thousand shares)	Increase during the period (thousand shares)	Decrease during the period (thousand shares)	Number of shares at the end of the period (thousand shares)
Shares outstanding				
Common stock	415,352	—	—	415,352
Total	415,352	—	—	415,352
Treasury stock				
Common stock	21,953	12,888	69	34,772
Total	21,953	12,888	69	34,772

Notes)

- Treasury stock of common stock at the beginning and at the end of the period includes 612 thousand shares and 596 thousand shares in the Company held by the Board Benefit Trust (BBT), respectively.
- Breakdown of increase in treasury stock of common stock of 12,888 thousand shares is as follows.  
Increase due to acquisition of treasury stock in accordance with approval by Board of Directors: 12,878 thousand shares  
Increase due to purchase of shares less than a full trading unit: 9 thousand shares
- Breakdown of decrease in treasury stock of common stock of 69 thousand shares is as follows.  
Decrease due to disposal of treasury stock related to exercise of stock acquisition rights: 52 thousand shares  
Decrease due to disposal of treasury stock related to exercise of rights of the BBT: 16 thousand shares  
Decrease due to sales of shares less than a full trading unit: 0 thousand shares

## 2. Stock acquisition rights

Category	Breakdown of stock acquisition rights	Balance at the end of the period (millions of yen)
Sompo Holdings, Inc.	Stock acquisition rights for stock options	749
Total		749

## 3. Dividends

### (1) Dividends paid

Resolution	Type of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
General meeting of stockholders held on June 26, 2017	Common stock	19,700	50	March 31, 2017	June 27, 2017
The Board of Directors' meeting held on November 17, 2017	Common stock	21,326	55	September 30, 2017	December 5, 2017

Notes)

- The "total amount of dividends" based on the resolution of the general meeting of stockholders held on June 26, 2017 includes 30 million yen in dividends paid on the shares in the Company held by the BBT.
- The "total amount of dividends" based on the resolution of the Board of Directors held on November 17, 2017 includes 32 million yen in dividends paid on the shares in the Company held by the BBT.

### (2) Of dividends recorded in the current fiscal year, dividends effective in the following fiscal year

Resolution	Type of shares	Total amount of dividends (millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
General meeting of stockholders held on June 25, 2018	Common stock	20,964	Retained earnings	55	March 31, 2018	June 26, 2018

Note) The "total amount of dividends" based on the resolution of the general meeting of stockholders to be held on June 25, 2018 includes 32 million yen in dividends to be paid on the shares in the Company held by the BBT.

## 6. Notes to the Consolidated Statement of Cash Flows

### \*1. Reconciliation of cash and cash equivalents at the end of the period to the line items represented in the consolidated balance sheet

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)	Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
Cash and deposits	814,217	894,437
Receivables under resale agreements	54,999	74,998
Securities	8,303,829	8,275,132
Time deposits with original maturities of more than 3 months	(117,522)	(114,277)
Securities other than cash equivalents	(8,282,057)	(8,199,257)
Cash and cash equivalents	773,466	931,033



## \*2. Main components of assets and liabilities of subsidiaries that have been excluded from the scope of consolidation due to sales of shares

For the fiscal year ended March 31, 2018, Canopus AG has been excluded from the scope of consolidated subsidiaries. The main components of assets and liabilities at the time of sales, the sales price and proceeds (net) for sales of those shares are as follows.

	(Millions of yen)
Assets:	348,418
Securities	213,492
Goodwill	20,412
Liabilities:	(283,116)
Underwriting funds	(234,835)
Foreign currency translation adjustments	(1,666)
Losses on sales of securities	(1,332)
Sales price of the shares of the subsidiary mentioned above	82,715
Cash and cash equivalents of the subsidiary mentioned above	(14,724)
Net: Proceeds from sales of the subsidiary mentioned above	67,991

## 3. Significant non-cash transactions

None.

## 4. Cash flows from investing activities include cash flows from investment activities conducted as a part of insurance business.

## 7. Lease Transactions

### Operating lease transactions

Future lease payments related to non-cancelable operating leases

(Lessee)

	As of March 31, 2017	As of March 31, 2018
Due within one year	17,766	19,462
Due after one year	197,063	196,343
Total	214,829	215,806

(Lessor)

	As of March 31, 2017	As of March 31, 2018
Due within one year	515	530
Due after one year	1,744	1,301
Total	2,260	1,831

## 8. Financial Instruments

### 1. Overview of financial instruments

#### (1) Our policy to manage financial instruments

As SOMPO HOLDINGS is mainly engaged in insurance businesses and recognizes the characteristic of investment fund for the insurance company, SOMPO HOLDINGS manages the investment assets taking into consideration safety, liquidity and profitability. Further, in order to appropriately manage investment assets related to long-term insurance liabilities related to life insurance and savings-type insurance, SOMPO HOLDINGS intends to stabilize returns for the future maturity refunds to policyholders by the methodology based on ALM (integrated management of assets and liabilities).

In addition, with a view to strengthen the financial structure, the consolidated subsidiary increased its capital substantively by the issuance of subordinated bond (i.e. hybrid finance) which is deemed as capital to some extent by major credit rating agencies.

## **(2) The nature and risk of financial instruments**

As financial instruments which SOMPO HOLDINGS holds are mainly securities such as bonds and stocks, SOMPO HOLDINGS is exposed to risks (market risks) associated with price fluctuations of investments, which are influenced by stock prices, interest rates and foreign exchange rates, as well as risks (liquidity risks) that securities may not be traded or may be forced to be traded at far more unfavorable prices than under normal conditions due to a market crisis and the like.

In addition, the securities and the loans which SOMPO HOLDINGS holds are exposed to credit risk which would cause a significant decrease in their value or uncollectible interest and principal due to the reasons such as deterioration of creditworthiness and bankruptcy of the issuer and the borrower.

Regarding derivative transactions, SOMPO HOLDINGS utilizes derivatives to hedge risks on assets held. These also involve market risks and credit risks.

Please refer to the note on “(6) Significant hedge accounting” in “4. Accounting policies” in “1. Significant Accounting Policies for the Preparation of the Consolidated Financial Statements” for derivative transactions which hedge accounting is applied to.

## **(3) The risk management systems regarding financial instruments**

The Company has established the risk management systems to appropriately identify, evaluate and control risks and accurately respond when risks emerge through strategic risk management (ERM) designed to maximize the corporate value of SOMPO HOLDINGS, as described below.

With the aim of maintaining strategic risk management, the Company's Board of Directors has established the “Group Basic Policy on ERM”, which sets forth principles for accurately assessing the group-wide status of risk exposure and managing the various types of risk in a comprehensive manner. With the aim of enabling appropriate management decision making based upon assessment of group-wide risk, the Company established Group ERM committee. Moreover, the Risk Management Department was established to promote the Company's efforts to develop and enhance its risk management systems.

Through the model of investment risks, the Company manages market risk, credit risk and real estate investment risk. In addition, the Company comprehensively manages risks, including the risk of invested assets failing to yield assumed interest rates with regard to insurance liabilities related to savings-type insurance held by its insurance subsidiaries. The Company obtains investment assets information on a daily basis and quantifies investment risks. Further, the Company utilizes risk management by setting stress scenarios to cover events that could cause a material impact on the operations of SOMPO HOLDINGS, and performing stress tests to assess and measure risks comprehensively.

As to credit risks, in order to avoid concentrating the risks on specific borrowers, the Company has set credit limits and manages the risks appropriately for the whole group.

As to liquidity risks, the Company has developed systems for its insurance subsidiaries to forecast payments for claims, etc. upon occurrence of liquidity risk scenarios, such as outbreak of catastrophe, and to ensure liquidity assets so as to adequately secure enough to cope with these payments.

Each group member has rules formulated in reference to the Group Basic Policy on ERM, thereby developing risk management systems appropriate to the content, scale, and characteristics of their particular business activities and implementing autonomous risk management. In addition, insurance subsidiaries place considerable emphasis on managing various types of risk in ways tailored to their particular risk profile. By doing so, these subsidiaries are appropriately addressing risks that could significantly affect their operations.

## **(4) Supplemental explanation about the fair value of financial instruments**

Other than the fair value of financial instruments based on the market price, fair value calculated reasonably is included if the market price is not obtainable. In view that certain assumption is employed to measure the fair value, the resulting value might differ depending on the assumption to be applied. “Notional amount” on each table in notes on “Derivative Transactions” shows contract amounts or notional amounts of derivative transactions. These amounts do not show the volume of market risk or credit risk regarding derivative transactions.

## 2. Fair value of financial instruments

Carrying amount, fair value and unrealized gains and losses are as follows. Meanwhile, financial instruments which are considered extremely difficult to figure out their fair value are not included in the following table. (Please refer to Notes) 2 for details.)

As of March 31, 2017

(Millions of yen)

	Carrying amount	Fair value	Unrealized gains and losses
(1) Cash and deposits	814,217	814,217	—
(2) Receivables under resale agreements	54,999	54,999	—
(3) Monetary receivables bought	11,718	11,718	—
(4) Money trusts	104,423	104,423	—
(5) Securities:			
Trading securities	628,520	628,520	—
Bonds held to maturity	1,205,755	1,483,082	277,326
Policy reserve matching bonds	199,659	215,634	15,974
Securities available for sale	6,190,948	6,190,948	—
(6) Loans	638,768		
Allowance for possible credit losses <sup>(*)</sup>	(96)		
	638,671	657,369	18,697
<b>Total assets</b>	<b>9,848,915</b>	<b>10,160,913</b>	<b>311,998</b>
(1) Corporate bonds	424,991	435,911	10,919
(2) Payables under securities lending transactions	250,063	250,063	—
(3) Borrowings	6,657	6,816	158
<b>Total liabilities</b>	<b>681,713</b>	<b>692,791</b>	<b>11,078</b>
Derivative transactions <sup>(*)</sup> :			
Hedge accounting is not applied to	9,553	9,553	—
Hedge accounting is applied to	15,294	15,294	—
<b>Total derivative transactions</b>	<b>24,848</b>	<b>24,848</b>	<b>—</b>

(\*1) This figure represents deductions to loans as general and individual allowance for possible credit losses.

(\*2) This table collectively shows derivative transactions which are included in other assets and other liabilities. Net assets and liabilities from derivative transactions are shown on the net basis.

As of March 31, 2018

(Millions of yen)

	Carrying amount	Fair value	Unrealized gains and losses
(1) Cash and deposits	894,437	894,437	—
(2) Receivables under resale agreements	74,998	74,998	—
(3) Monetary receivables bought	6,727	6,727	—
(4) Money trusts	98,744	98,744	—
(5) Securities:			
Trading securities	212,004	212,004	—
Bonds held to maturity	1,199,257	1,484,687	285,429
Policy reserve matching bonds	267,978	290,029	22,051
Securities available for sale	6,516,106	6,516,106	—
(6) Loans	668,419		
Allowance for possible credit losses <sup>(*)</sup>	(35)		
	668,383	687,033	18,649
<b>Total assets</b>	<b>9,938,639</b>	<b>10,264,769</b>	<b>326,130</b>
(1) Corporate bonds	512,045	530,392	18,347
(2) Payables under securities lending transactions	118,639	118,639	—
(3) Borrowings	142,870	142,834	(35)
<b>Total liabilities</b>	<b>773,555</b>	<b>791,866</b>	<b>18,311</b>
Derivative transactions <sup>(*)</sup> :			
Hedge accounting is not applied to	14,742	14,742	—
Hedge accounting is applied to	28,223	28,223	—
<b>Total derivative transactions</b>	<b>42,965</b>	<b>42,965</b>	<b>—</b>

(\*1) This figure represents deductions to loans as general and individual allowance for possible credit losses.

(\*2) This table collectively shows derivative transactions which are included in other assets and other liabilities. Net assets and liabilities from derivative transactions are shown on the net basis.

Notes)

1. Calculation methods for the fair value of financial instruments

Assets

(1) Cash and deposits

As all are short term and the fair value approximates the book value, the book value is presented as the fair value.

(2) Receivables under resale agreements

As all are short term and the fair value approximates the book value, the book value is presented as the fair value.

(3) Monetary receivables bought

The fair value is based on the price quoted by counterparties.

(4) Money trusts

The fair value of the financial instruments managed as trust asset is as follows. As bank deposit, etc. are short term and their fair value approximates the book value, the book value is presented as the fair value. The fair value of the domestic bonds is based on the price at exchanges, the price released by Japan Securities Dealers Association and the price quoted by counterparties and others. The fair value of the domestic stocks is based on the price at exchanges. In addition, the fair value of foreign securities is based on the price at exchanges and others.

(5) Securities

The fair value of the domestic bonds is based on the price at exchanges, the price released by Japan Securities Dealers Association and the price quoted by counterparties and others. The fair value of the domestic stocks is based on the price at exchanges. In addition, the fair value of foreign securities is based on the price at exchanges and the price quoted by counterparties and others.

(6) Loans

The fair value is the amount of future collection cash flow of each loan which is discounted by the risk free rate for the corresponding period, adding credit risk premium and liquidity premium thereto. For the loans categorized as loans to borrowers in bankruptcy legally or substantially and to borrowers who are highly probable to go bankrupt in the future, the fair values are the carrying amount less current estimated credit losses. Because the estimated credit losses are calculated based on the amount expected to be covered by collateral and guarantee, the fair value approximates the said amount.

Liabilities

(1) Corporate bonds

The fair value is based on the price at exchanges, the price released by Japan Securities Dealers Association and others.

(2) Payables under securities lending transactions

As all are short term and the fair value approximates the book value, the book value is presented as the fair value.

(3) Borrowings

The fair value is the amount of future collection cash flow of each borrowing which is discounted by the risk free rate for the corresponding period, adding credit risk premium and liquidity premium thereto.

Derivative transactions

Please refer to the notes on "Derivative Transactions."

2. Carrying amounts of the financial instruments which are considered extremely difficult to figure out their fair value are as follows. These financial instruments are not included in "(5) Securities."

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Domestic stocks	44,261	45,415
Foreign securities	23,405	22,419
Others	10,404	11,077
Total	78,071	78,911

As domestic stocks are unlisted stocks and do not have quoted market prices, they are not included in the scope of fair value disclosure.

As foreign securities are unlisted stocks or investments mainly in unlisted stocks and do not have quoted market prices, they are not included in the scope of fair value disclosure.

As others are investments mainly in unlisted stocks and do not have quoted market prices, they are not included in the scope of fair value disclosure.

3. The redemption amounts after the consolidated balance sheet date for monetary receivables and fixed maturity securities

As of March 31, 2017

(Millions of yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Deposits	803,911	9,185	—	—
Receivables under resale agreements	54,999	—	—	—
Monetary receivables bought	2,845	—	—	7,018
Securities:				
Bonds held to maturity:				
Government bonds	7,200	63,573	90,065	875,418
Municipal bonds	—	—	1,000	43,400
Corporate bonds	14,924	22,073	8,900	64,200
Foreign securities	674	983	412	—
Policy reserve matching bonds:				
Government bonds	—	—	—	190,300
Fixed maturity securities available for sale:				
Government bonds	64,159	196,124	272,241	661,625
Municipal bonds	500	3,080	3,100	14,900
Corporate bonds	58,220	208,069	73,540	373,406
Foreign securities	116,659	555,241	823,907	513,941
Others	2,707	12,272	5,120	373
Loans <sup>(*)</sup>	160,700	301,258	105,313	60,911
Total	1,287,501	1,371,862	1,383,600	2,805,493

(\*) 394 million yen of loans whose redemption amounts are not estimable such as loans to borrowers in bankruptcy legally or substantially and to borrowers who are highly probable to go bankrupt in the future is not included. 10,000 million yen of loans without maturities is not included.

As of March 31, 2018

(Millions of yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Deposits	886,367	7,995	—	—
Receivables under resale agreements	74,998	—	—	—
Monetary receivables bought	415	—	—	5,826
Securities:				
Bonds held to maturity:				
Government bonds	15,313	54,560	258,235	704,948
Municipal bonds	—	—	1,000	43,400
Corporate bonds	13,173	13,300	4,700	73,500
Foreign securities	1,407	1,995	571	—
Policy reserve matching bonds:				
Government bonds	—	—	—	258,500
Fixed maturity securities available for sale:				
Government bonds	26,659	242,950	223,045	625,935
Municipal bonds	1,080	2,000	6,600	17,400
Corporate bonds	49,342	182,910	65,800	408,506
Foreign securities	122,806	699,914	848,784	598,407
Others	193	24,122	7,266	1,280
Loans <sup>(*)</sup>	162,820	331,278	101,582	62,328
Total	1,354,579	1,561,026	1,517,586	2,800,031

(\*) 266 million yen of loans whose redemption amounts are not estimable such as loans to borrowers in bankruptcy legally or substantially and to borrowers who are highly probable to go bankrupt in the future is not included. 10,000 million yen of loans without maturities is not included.

4. The contractual payment amounts of the corporate bonds, long-term borrowings, lease obligations and other interest-bearing debt after the consolidated balance sheet date

As of March 31, 2017

(Millions of yen)

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Corporate bonds	—	—	—	—	—	419,180
Long-term borrowings	650	3,635	1,824	82	60	354
Lease obligations	4,677	4,509	4,228	3,597	3,500	51,469
Payables under securities lending transactions	250,063	—	—	—	—	—
Total	255,391	8,144	6,053	3,679	3,561	471,004

As of March 31, 2018

(Millions of yen)

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Corporate bonds	—	—	—	—	33,900	471,415
Long-term borrowings	34,083	32,229	30,481	30,479	15,264	281
Lease obligations	5,054	4,736	4,126	4,021	4,012	48,106
Payables under securities lending transactions	118,639	—	—	—	—	—
Total	157,777	36,966	34,607	34,501	53,177	519,802

## 9. Securities

### 1. Trading securities

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Unrealized gains and losses recognized in the statement of income	2,501	1

### 2. Bonds held to maturity

As of March 31, 2017

(Millions of yen)

	Carrying amount	Fair value	Unrealized gains and losses
Securities whose fair value exceeds their carrying amount	Domestic bonds	1,188,313	1,466,468
	Foreign securities	153	161
	Subtotal	1,188,467	1,466,629
Securities whose fair value does not exceed their carrying amount	Domestic bonds	15,371	14,569
	Foreign securities	1,916	1,883
	Subtotal	17,288	16,452
Total	1,205,755	1,483,082	277,326

As of March 31, 2018

(Millions of yen)

		Carrying amount	Fair value	Unrealized gains and losses
Securities whose fair value exceeds their carrying amount	Domestic bonds	1,180,112	1,465,926	285,814
	Foreign securities	2,019	2,087	67
	Subtotal	1,182,131	1,468,013	285,881
Securities whose fair value does not exceed their carrying amount	Domestic bonds	15,129	14,694	(435)
	Foreign securities	1,996	1,979	(17)
	Subtotal	17,125	16,673	(452)
Total		1,199,257	1,484,687	285,429

### 3. Policy reserve matching bonds

As of March 31, 2017

(Millions of yen)

		Carrying amount	Fair value	Unrealized gains and losses
Securities whose fair value exceeds their carrying amount	Domestic bonds	147,193	165,622	18,428
Securities whose fair value does not exceed their carrying amount	Domestic bonds	52,465	50,011	(2,453)
Total		199,659	215,634	15,974

As of March 31, 2018

(Millions of yen)

		Carrying amount	Fair value	Unrealized gains and losses
Securities whose fair value exceeds their carrying amount	Domestic bonds	231,867	255,152	23,285
Securities whose fair value does not exceed their carrying amount	Domestic bonds	36,110	34,877	(1,233)
Total		267,978	290,029	22,051

### 4. Securities available for sale

As of March 31, 2017

(Millions of yen)

		Carrying amount	Cost	Unrealized gains and losses
Securities whose carrying amount exceeds their cost	Domestic bonds	1,969,971	1,777,125	192,845
	Domestic stocks	1,488,337	598,400	889,937
	Foreign securities	1,291,177	1,170,790	120,387
	Others	42,600	37,297	5,302
	Subtotal	4,792,087	3,583,614	1,208,472
Securities whose carrying amount does not exceed their cost	Domestic bonds	233,604	241,826	(8,221)
	Domestic stocks	31,779	33,991	(2,211)
	Foreign securities	1,136,603	1,153,412	(16,808)
	Others	21,307	21,427	(120)
	Subtotal	1,423,295	1,450,658	(27,363)
Total		6,215,382	5,034,273	1,181,109

Notes)

1. Securities available for sale which are considered extremely difficult to figure out their fair value are not included in the above table.
2. Certificate of deposit classified as cash and deposits and beneficial interests in the loan trusts, etc. classified as monetary receivables bought in the consolidated balance sheet are included in "Others" above.



As of March 31, 2018

		(Millions of yen)		
		Carrying amount	Cost	Unrealized gains and losses
Securities whose carrying amount exceeds their cost	Domestic bonds	2,014,762	1,827,098	187,665
	Domestic stocks	1,560,427	560,579	999,847
	Foreign securities	1,355,885	1,234,891	120,994
	Others	58,933	52,793	6,139
	Subtotal	4,990,008	3,675,361	1,314,646
Securities whose carrying amount does not exceed their cost	Domestic bonds	133,071	136,423	(3,352)
	Domestic stocks	28,161	31,536	(3,374)
	Foreign securities	1,370,567	1,413,677	(43,109)
	Others	8,648	8,693	(45)
	Subtotal	1,540,448	1,590,330	(49,882)
Total	6,530,456	5,265,692	1,264,764	

Notes)

1. Securities available for sale which are considered extremely difficult to figure out their fair value are not included in the above table.
2. Certificate of deposit classified as cash and deposits and beneficial interests in the loan trusts, etc. classified as monetary receivables bought in the consolidated balance sheet are included in "Others" above.

## 5. Securities available for sale sold during the fiscal years ended March 31, 2017 and 2018

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Millions of yen)			
	Proceeds from sales	Gains on sales	Losses on sales
Domestic bonds	312,815	9,123	4,591
Domestic stocks	109,096	66,525	218
Foreign securities	342,135	5,356	9,727
Others	4,033	965	22
Total	768,080	81,971	14,560

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)			
	Proceeds from sales	Gains on sales	Losses on sales
Domestic bonds	111,882	2,830	1,679
Domestic stocks	112,071	69,085	491
Foreign securities	613,830	9,319	6,177
Others	7,301	1,616	2
Total	845,086	82,852	8,350

## 6. Securities for which impairment losses are recognized during the fiscal years ended March 31, 2017 and 2018

For the fiscal year ended March 31, 2017, impairment losses on securities available for sale (excluding securities available for sale which are considered extremely difficult to figure out their fair value) amount to 744 million yen (domestic stocks: 527 million yen, foreign securities: 216 million yen), and impairment losses on securities available for sale which are considered extremely difficult to figure out their fair value amount to 351 million yen (domestic stocks: 9 million yen, foreign securities: 341 million yen).

For the fiscal year ended March 31, 2018, impairment losses on securities available for sale (excluding securities available for sale which are considered extremely difficult to figure out their fair value) amount to 1,627 million yen (foreign securities only), and impairment losses on securities available for sale which are considered extremely difficult to figure out their fair value amount to 2,051 million yen (domestic stocks: 1,248 million yen, foreign securities: 802 million yen).

Basically, impairment losses on securities are recognized if fair value at the end of the fiscal year declines by 30% or more from their cost.

## 10. Money Trusts

### 1. Money trusts for trading purposes

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Unrealized gains and losses recognized in the statement of income	(57)	(110)

### 2. Money trusts held to maturity

None.

### 3. Money trusts classified as other than trading purposes or held to maturity

As of March 31, 2017

(Millions of yen)

	Carrying amount	Cost	Unrealized gains and losses
Money trusts	83,769	80,397	3,371

As of March 31, 2018

(Millions of yen)

	Carrying amount	Cost	Unrealized gains and losses
Money trusts	78,084	76,698	1,386

### 4. Money trusts for which impairment losses are recognized during the fiscal years ended March 31, 2017 and 2018

For the fiscal year ended March 31, 2017, impairment losses on securities managed as trust assets in money trust classified as other than trading purposes or held to maturity (excluding securities available for sale which are considered extremely difficult to figure out their fair value) amount to 217 million yen.

For the fiscal year ended March 31, 2018, impairment losses on securities managed as trust assets in money trust classified as other than trading purposes or held to maturity are not recognized.

Basically, impairment losses on securities are recognized if fair value at the end of the fiscal year declines by 30% or more from their cost.

## 11. Derivative Transactions

### 1. Derivative transactions to which hedge accounting is not applied

#### (1) Currency derivatives

As of March 31, 2017

(Millions of yen)

	Notional amount	Fair value		Unrealized gains and losses
		Due after 1 year		
Over-the-counter transactions:				
Forward foreign exchanges:				
Short	52,079	—	(15)	(15)
Long	39,853	—	(344)	(344)
Currency options:				
Short	6,050	—	(0)	89
Long	5,600	—	73	(14)
Total			(287)	(285)

Notes) Calculation methods for the fair value

1. Forward foreign exchanges

The fair value is based on the forward exchange rate or the price quoted by counterparties.

2. Currency options

The fair value is based on the price quoted by counterparties.

As of March 31, 2018

(Millions of yen)

	Notional amount	(Millions of yen)		
		Due after 1 year	Fair value	Unrealized gains and losses
Over-the-counter transactions:				
Forward foreign exchanges:				
Short	36,744	—	681	681
Long	6,426	—	(132)	(132)
Currency options:				
Short	26,715	—	(16)	193
Long	65,015	—	111	(170)
Total			643	571

Notes) Calculation methods for the fair value

1. Forward foreign exchanges

The fair value is based on the forward exchange rate or the price quoted by counterparties.

2. Currency options

The fair value is based on the price quoted by counterparties.

## (2) Interest rate derivatives

As of March 31, 2017

(Millions of yen)

	Notional amount	(Millions of yen)		
		Due after 1 year	Fair value	Unrealized gains and losses
Market transactions:				
Interest rate futures:				
Short	2,636	—	7	7
Long	2,649	—	(2)	(2)
Over-the-counter transactions:				
Interest rate options:				
Short	629	—	(3)	0
Interest rate swaps:				
Receipt float / Payment fix	12,592	943	33	33
Total			34	39

Notes) Calculation methods for the fair value

1. Interest rate futures

The fair value is based on the closing price at major exchanges.

2. Interest rate options

The fair value is based on the price quoted by counterparties.

3. Interest rate swaps

The fair value is calculated by discounting estimated future cash flow to the present value.

As of March 31, 2018

(Millions of yen)

	Notional amount	(Millions of yen)		
		Due after 1 year	Fair value	Unrealized gains and losses
Market transactions:				
Interest rate futures:				
Short	1,412	—	6	6
Long	25,244	—	(17)	(17)
Over-the-counter transactions:				
Interest rate swaps:				
Receipt float / Payment fix	2,415	2,415	(18)	(18)
Total			(28)	(28)

Notes) Calculation methods for the fair value

1. Interest rate futures

The fair value is based on the price quoted by counterparties.

2. Interest rate swaps

The fair value is based on the price quoted by counterparties.

### (3) Equity derivatives

As of March 31, 2017

(Millions of yen)

	Notional amount	Due after 1 year		Fair value	Unrealized gains and losses
Market transactions:					
Equity index futures:					
Short	20,014	—		(11)	(11)
Total	—	—		(11)	(11)

Note) Calculation methods for the fair value  
The fair value is based on the closing price at major exchanges.

As of March 31, 2018

(Millions of yen)

	Notional amount	Due after 1 year		Fair value	Unrealized gains and losses
Market transactions:					
Equity index futures:					
Short	5,016	—		(5)	(5)
Total	—	—		(5)	(5)

Note) Calculation methods for the fair value  
The fair value is based on the closing price at major exchanges.

### (4) Bond derivatives

As of March 31, 2017

(Millions of yen)

	Notional amount	Due after 1 year		Fair value	Unrealized gains and losses
Market transactions:					
Bonds futures:					
Short	10,725	—		10	10
Long	8,067	—		(13)	(13)
Bonds futures options:					
Long	1,434	—		0	(3)
Over-the-counter transactions:					
Bonds forwards:					
Short	5,871	—		(5,906)	(31)
Long	14,013	—		14,142	(53)
Total	—	—		8,233	(90)

Notes) Calculation methods for the fair value  
1. Bonds futures  
The fair value is based on the closing price at major exchanges.  
2. Bonds futures options  
The fair value is based on the closing price at major exchanges.  
3. Bonds forwards  
The fair value is mainly based on the price quoted by information vendors.

As of March 31, 2018

(Millions of yen)

	Notional amount	Due after 1 year		Fair value	Unrealized gains and losses
Over-the-counter transactions:					
Bonds forwards:					
Short	10,667	—		(10,922)	(27)
Long	22,939	—		23,514	11
Total	—	—		12,591	(16)

Note) Calculation methods for the fair value  
The fair value is mainly based on the price quoted by information vendors.

## (5) Others

As of March 31, 2017

(Millions of yen)

	Notional amount	Fair value		Unrealized gains and losses
		Due after 1 year		
Market transactions:				
Credit derivatives:				
Short	634	634	22	22
Weather derivatives:				
Short	314	—	(39)	29
Long	457	—	57	(43)
Over-the-counter transactions:				
Credit derivatives:				
Short	179	81	(2)	(2)
Long	139	139	8	8
Weather derivatives:				
Short	20,872	2,058	(2,820)	1,323
Long	12,961	1,204	4,409	(898)
Earthquake derivatives:				
Short	10,004	160	(13)	263
Long	8,793	4,464	194	(464)
Industry loss warranty:				
Short	1,655	—	(21)	151
Long	2,329	—	117	(376)
Loss development cover:				
Short	2,848	2,848	(328)	(328)
Total			1,584	(315)

Notes) Calculation methods for the fair value

- Credit derivatives  
The fair value is mainly based on the price quoted by information vendors.
- Weather derivatives  
The fair value is calculated based on the contract term and other elements of the contract.
- Earthquake derivatives  
The fair value is calculated based on the contract term and other elements of the contract.
- Industry loss warranty  
The fair value is calculated based on the contract term and other elements of the contract.
- Loss development cover  
The fair value is calculated based on the contract term and other elements of the contract.

As of March 31, 2018

(Millions of yen)

	Notional amount	Fair value		Unrealized gains and losses
		Due after 1 year		
Market transactions:				
Credit derivatives:				
Short	226	226	19	19
Over-the-counter transactions:				
Credit derivatives:				
Short	79	79	1	1
Weather derivatives:				
Short	31,705	6,783	(4,378)	1,377
Long	16,858	3,628	6,241	(609)
Earthquake derivatives:				
Short	12,493	1,310	(3)	311
Long	11,243	2,142	19	(256)
Industry loss warranty:				
Long	—	—	0	0
Loss development cover:				
Short	2,735	2,735	(205)	(205)
Pandemic derivatives:				
Short	1,062	1,062	(170)	66
Long	743	—	15	(40)
Total			1,541	665

Notes) Calculation methods for the fair value

- Credit derivatives  
The fair value is mainly based on the price quoted by information vendors.
- Weather derivatives  
The fair value is calculated based on the contract term and other elements of the contract.
- Earthquake derivatives  
The fair value is calculated based on the contract term and other elements of the contract.
- Industry loss warranty  
The fair value is calculated based on the contract term and other elements of the contract.
- Loss development cover  
The fair value is calculated based on the contract term and other elements of the contract.
- Pandemic derivatives  
The fair value is calculated based on the contract term and other elements of the contract.

## 2. Derivative transactions to which hedge accounting is applied

### (1) Currency derivatives

As of March 31, 2017

(Millions of yen)

Methods for hedge accounting	Type	Main hedged items	Notional amount	Due after 1 year	Fair value
Fair value hedge	Forward foreign exchanges: Short	Securities available for sale	656,931	—	3,664
	Currency options: Short Long	Securities available for sale	2,932	—	(5)
			2,596	—	8
	Currency swaps	Securities available for sale	2,980	—	520
Assignment accounting for forward foreign exchange contracts and others	Currency swaps	Foreign currency denominated corporate bonds (liabilities)	133,560	133,560	Note 2
Total			—	—	4,187

Notes) 1. Calculation methods for the fair value

(1) Forward foreign exchanges

The fair value is calculated by using forward exchange rate.

(2) Currency options

The fair value is based on the price quoted by counterparties.

(3) Currency swaps

The fair value is based on the price quoted by counterparties.

2. The fair value of forward foreign exchange contracts and others to which assignment accounting is applied is included in the fair value of foreign currency denominated corporate bonds (liabilities) as they are accounted for as one together with. Therefore, their fair value is included in the fair value of the corporate bonds in "Financial Instruments."

As of March 31, 2018

(Millions of yen)

Methods for hedge accounting	Type	Main hedged items	Notional amount	Due after 1 year	Fair value
Fair value hedge	Forward foreign exchanges: Short	Securities available for sale	708,613	—	18,379
	Currency options: Short Long	Securities available for sale	76,398	—	(50)
			71,290	—	115
Assignment accounting for forward foreign exchange contracts and others	Currency swaps	Foreign currency denominated corporate bonds (liabilities) and foreign currency denominated borrowings	216,426	216,426	Note 2
Total			—	—	18,443

Notes) 1. Calculation methods for the fair value

(1) Forward foreign exchanges

The fair value is calculated by using forward exchange rate.

(2) Currency options

The fair value is based on the price quoted by counterparties.

(3) Currency swaps

The fair value is based on the price quoted by counterparties.

2. The fair value of forward foreign exchange contracts and others to which assignment accounting is applied is included in the fair value of foreign currency denominated corporate bonds (liabilities) and foreign currency denominated borrowings as they are accounted for as one together with. Therefore, their fair value is included in the fair value of the corporate bonds and borrowings in "Financial Instruments."

### (2) Interest rate derivatives

As of March 31, 2017

(Millions of yen)

Methods for hedge accounting	Type	Main hedged items	Notional amount	Due after 1 year	Fair value
Deferred hedge	Interest rate swaps: Receipt fix / Payment float	Insurance liabilities	83,000	83,000	11,106
Total			—	—	11,106

Note) Calculation methods for the fair value

The fair value is calculated by discounting estimated future cash flow to the present value.

As of March 31, 2018

(Millions of yen)

Methods for hedge accounting	Type	Main hedged items	Notional amount	Due after 1 year	Fair value
Deferred hedge	Interest rate swaps: Receipt fix / Payment float	Insurance liabilities	83,000	78,000	9,779
Total			—	—	9,779

Note) Calculation methods for the fair value

The fair value is calculated by discounting estimated future cash flow to the present value.



## 12. Retirement Benefits

### 1. Outline of retirement benefit plans

In addition to a defined contribution pension plan, Sompo Japan Nipponkoa Insurance Inc., which is a consolidated subsidiary of the Company, provides defined benefit plans with a lump-sum payments retirement plan, a contract-type corporate pension plan and a self-administered corporate pension plan for both retired employees who are already receiving pension and those who are eligible for employees' benefits but have not yet reached the pension commencement age. Sompo Japan Nipponkoa Insurance Inc. also sets up a retirement benefit trust. The other domestic consolidated subsidiaries provide a contract-type corporate pension plan and an unfunded retirement plan with lump-sum payments as defined benefit type in addition to defined contribution pension plans. Certain foreign consolidated subsidiaries have retirement benefit plans such as defined contribution type and defined benefit type.

Net defined benefit liability and retirement benefit expenses regarding lump-sum payments retirement plan are calculated by using the simplified accounting methods.

### 2. Retirement defined benefit plans

(1) Reconciliation of beginning and ending balances of the retirement benefit obligation

	(Millions of yen)	
	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)	Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
Retirement benefit obligation at the beginning of the period	219,456	228,877
Service cost	11,939	13,090
Interest cost	831	1,070
The amount of actuarial difference occurred	10,782	(26,075)
Retirement benefit paid	(13,579)	(13,673)
Increase due to merger	157	—
Changes in the scope of consolidation	—	(1,464)
Others	(710)	247
Retirement benefit obligation at the end of the period	228,877	202,072

Note) Retirement benefit expenses for retirement benefit plans calculated by using the simplified accounting methods are included in "Service cost."

(2) Reconciliation of beginning and ending balances of plan assets

	(Millions of yen)	
	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)	Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
Plan assets at the beginning of the period	96,599	95,850
Expected return on plan assets	794	733
The amount of actuarial difference occurred	803	6,918
The amount of employer contributions	770	963
Retirement benefit paid	(2,428)	(2,435)
Changes in the scope of consolidation	—	(1,736)
Others	(689)	159
Plan assets at the end of the period	95,850	100,454

(3) Reconciliation of the ending balances of retirement benefit obligation and plan assets, and net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheet

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Funded retirement benefit obligation	219,808	192,617
Plan assets	(95,850)	(100,454)
	123,957	92,163
Unfunded retirement benefit obligation	9,069	9,455
Asset ceiling adjustments	480	311
Net liabilities and assets on the consolidated balance sheet	133,507	101,929
	134,263	102,992
Net defined benefit liability	134,263	102,992
Net defined benefit asset	(756)	(1,062)
Net liabilities and assets on the consolidated balance sheet	133,507	101,929

(4) Components of retirement benefit expenses

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)	Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
Service cost	11,939	13,090
Interest cost	831	1,070
Expected return on plan assets	(794)	(733)
Amortization of actuarial difference	2,641	3,311
Amortization of prior services costs	216	216
Others	62	120
Retirement benefit expenses for defined benefit plans	14,897	17,076

Note) Retirement benefit expenses for retirement benefit plans calculated by using the simplified accounting methods are included in "Service cost."

(5) Remeasurements of defined benefit plans

Components of items (before tax effect deductions) recorded in remeasurements of defined benefit plans are as follows.

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)	Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
Prior service costs	(216)	(216)
Actuarial difference	7,190	(36,464)
Total	6,973	(36,681)

(6) Accumulated remeasurements of defined benefit plans

Components of items (before tax effect deductions) recorded in accumulated remeasurements of defined benefit plans are as follows.

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Unrecognized prior service costs	650	433
Unrecognized actuarial difference	40,446	3,975
Total	41,097	4,409

(7) Plan assets

(a) Main components of plan assets

The percentage shares of components by main asset class out of total plan assets are as follows.

	(Proportion)	
	As of March 31, 2017	As of March 31, 2018
Bonds	18%	18%
Stocks	60%	63%
Joint investment assets	8%	6%
Life insurance general accounts	6%	6%
Cash and deposits	0%	1%
Others	8%	6%
Total	100%	100%

(b) Establishment of methods for the long-term expected rate of return on plan assets

In order to assume the long-term expected rate of return on plan assets, present and expected distribution of plan assets and the long term expected rate of return on the multitude of assets in plan assets are considered.

(8) Basis of actuarial assumptions

Major bases of actuarial assumptions are as follows.

		(Proportion)	
		Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)	Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
Discount rate	Domestic consolidated subsidiaries	0.2% – 1.5%	0.2% – 1.5%
	Foreign consolidated subsidiaries	1.2% – 11.7%	2.5% – 10.3%
Long-term expected rate of return on plan assets	Domestic consolidated subsidiaries	0.0% – 1.5%	0.0% – 1.5%
	Foreign consolidated subsidiaries	2.6% – 11.7%	10.3%

### 3. Defined contribution plans

Contributions paid to the defined contribution pension plan by consolidated subsidiaries amounts to 5,186 million yen for the fiscal year ended March 31, 2017 and amounts to 7,084 million yen for the fiscal year ended March 31, 2018.

## 13. Stock Options

### 1. Recorded amount and account which includes stock option expense

None.

### 2. Recorded amount on profit resulting from forfeiture of stock options

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)	Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
Gains on reversal of stock acquisition rights	69	50

### 3. Contents, size and its changes of stock options

#### (1) Contents of stock options

Stock options granted by the Company are as follows.

13th to 16th issue of stock acquisition rights of the Company are stock options transferred from Sampo Japan Insurance Inc. ("Sampo Japan") to the Company and 17th to 22nd issue of stock acquisition rights of the Company are stock options transferred from NIPPONKOA Insurance Company, Limited ("NIPPONKOA") to the Company on the date of establishment of the Company, April 1, 2010.

The Company decided to introduce the "Board Benefit Trust (BBT)," a performance-linked stock compensation plan at the 6th general meeting of shareholders held on June 27, 2016, and not to grant new stock options thereafter.

#### (a) Stock options transferred from Sampo Japan and granted by the Company

	13th issue	14th issue
Resolution date	Extraordinary general meeting of shareholders of Sampo Japan held on December 22, 2009 and extraordinary general meeting of shareholders of NIPPONKOA held on December 30, 2009	Extraordinary general meeting of shareholders of Sampo Japan held on December 22, 2009 and extraordinary general meeting of shareholders of NIPPONKOA held on December 30, 2009
Title and number of grantees	Directors and executive officers of Sampo Japan: 17 Others (Note 1): 24	Directors and executive officers of Sampo Japan: 17 Others (Note 1): 24
Number of stock options granted by types of shares	Common stock: 100,750 stocks (Note 2)	Common stock: 95,500 stocks (Note 2)
Grant date	April 1, 2010	April 1, 2010
Conditions for the vesting	Stock options are vested on the grant date.	Stock options are vested on the grant date.
Requisite service period	—	—
Exercise period	April 1, 2010 to June 27, 2017	April 1, 2010 to June 27, 2017

Notes)

- "Others" in the column "Title and number of grantees" represents grantees at the time of grant by Sampo Japan but who already retired or resigned the position by the grant date by the Company.
- Number of stock options in the column "Number of stock options granted by types of shares" is indicated by converting to number of shares. The numbers of shares are calculated as a reverse split of stocks to combine common stocks at a ratio of four shares to one share on October 1, 2011.
- As the stock options described above do not exist as of the end of the current fiscal year (March 31, 2018), the number of the stock acquisition rights and other details are omitted.

	15th issue	16th issue
Resolution date	Extraordinary general meeting of shareholders of Sompo Japan held on December 22, 2009 and extraordinary general meeting of shareholders of NIPPONKOA held on December 30, 2009	Extraordinary general meeting of shareholders of Sompo Japan held on December 22, 2009 and extraordinary general meeting of shareholders of NIPPONKOA held on December 30, 2009
Title and number of grantees	Directors and executive officers of Sompo Japan: 27 Others (Note 1): 1	Directors and executive officers of Sompo Japan: 41 Others (Note 1): 1
Number of stock options granted by types of shares	Common stock: 74,325 stocks (Note 2)	Common stock: 186,775 stocks (Note 2)
Grant date	April 1, 2010	April 1, 2010
Conditions for the vesting	Stock options are vested on the grant date.	Stock options are vested on the grant date.
Requisite service period	—	—
Exercise period	April 1, 2010 to August 11, 2033	April 1, 2010 to August 10, 2034
Number of stock acquisition rights*	197 stock acquisition rights (Note 3)	342 stock acquisition rights (Note 3)
Type, description and number of the shares underlying the stock acquisition rights*	Common stock: 4,925 stocks (Notes 3, 4)	Common stock: 8,550 stocks (Notes 3, 4)
Payment price upon exercise of a stock acquisition right (yen)*	1	1
Issue price and the amount of capital incorporation of the shares issued upon exercise of the stock acquisition rights (yen)*	Issue price: 3,761 Amount of capital incorporation (Note 5)	Issue price: 2,493 Amount of capital incorporation (Note 5)
Conditions for exercising the stock acquisition rights*	(Note 6)	(Note 6)
Matters related to the transfer of stock acquisition rights*	Subject to the approval of the Board of Directors.	Subject to the approval of the Board of Directors.
Matters related to the delivery of the stock acquisition rights associated with the corporate reorganization*	(Note 7)	(Note 7)

\* The above figures represents the status as of the end of the current fiscal year (March 31, 2018), which has not changed as of the end of the month prior to the submission date of this document (May 31, 2018).

Notes)

- "Others" in the column "Title and number of grantees" represents grantees at the time of grant by Sompo Japan but who already retired or resigned the position by the grant date by the Company.
- Number of stock options in the column "Number of stock options granted by types of shares" is indicated by converting to number of shares. The numbers of shares are calculated as a reverse split of stocks to combine common stocks at a ratio of four shares to one share on October 1, 2011.
- The number of shares underlying each stock acquisition right is 25.
- In the event that the Company conducts a split of stocks or a reverse split of stocks of the common stock of the Company, the number of shares subject to such split of stocks or reverse split of stocks shall be adjusted by the following formula. However, such adjustment is restricted to the number of shares underlying the stock acquisition rights yet to be exercised at such time, where any fraction less than one share resulting from the adjustment shall be rounded down.  
Number of shares after the adjustment = Number of shares before the adjustment × stock split or reverse split ratio
- Matters related to the increases in common stock and capital reserves arising from the issuance of shares due to the exercise of stock acquisition rights are as follows.
  - When new shares are issued due to the exercise of the stock acquisition rights, common stock will be increased by an amount equivalent to one-half the maximum increase in common stock, etc. calculated in accordance with Article 17, Paragraph 1 of the Corporate Accounting Regulations, with any fractions of a yen rounded up.
  - When new shares are issued due to the exercise of the stock acquisition rights, the amount of the increase in capital reserves will be the amount remaining after the amount of the increase in common stock as provided above is deducted from the amount of the maximum increase in common stock, etc. as stated in (1) above.
- Conditions for exercising the stock acquisition rights are as follows:
  - Stock acquisition right holders are allowed to exercise their stock acquisition rights only within a period of 10 days from the day immediately following the day on which the holders lose their status as a director and executive officer of Sompo Japan Nipponkoa Insurance Inc.
  - Stock acquisition right holders must exercise the stock acquisition rights that they have been granted in their entirety, and they may not exercise only a portion of such rights.

7. Matters related to the delivery of the stock acquisition rights associated with corporate reorganization are as follows.

If the Company executes a merger (but only in those cases in which the Company ceases to exist because of the merger), an absorption-type demerger, an incorporation-type demerger, a stock swap or stock transfer (hereinafter collectively referred to as a "corporate reorganization"), stock acquisition rights of the relevant company as prescribed in Article 236, Paragraph 1, Item (viii) (a) through (e) of the Companies Act (the "reorganized company") will be delivered to the stock acquisition right holders possessing stock acquisition rights outstanding ("outstanding stock acquisition rights") at the effective date of the corporate reorganization. Under such circumstances, the outstanding stock acquisition rights will be extinguished, and new stock acquisition rights will be issued for the reorganized company. Provided, however, that this applies only in cases in which such delivery of stock acquisition rights for the reorganized company is stipulated, in accordance with the conditions presented below, in the absorption-type merger agreement, the incorporation-type merger agreement, the absorption-type demerger agreement, the incorporation-type demerger plan, the stock swap agreement, or the stock transfer plan.

- (1) Number of reorganized company stock acquisition rights to be delivered  
The number of reorganized company stock acquisition rights to be delivered is the equal to the number of stock acquisition rights held by the outstanding stock acquisition rights holder.
- (2) Type of reorganized company shares underlying the stock acquisition rights  
Common stock of the reorganized company
- (3) Number of reorganized company shares underlying the stock acquisition rights  
Number of reorganized company shares underlying the stock acquisition rights shall be determined in accordance with Note 4 above, taking into consideration the conditions of the corporate reorganization.
- (4) Value of assets contributed when exercising stock acquisition rights  
The value of assets to be contributed upon exercise of each stock acquisition right shall be the amount of payment price of one share delivered by exercising the stock acquisition rights, which is 1 yen, multiplied by the number of shares underlying one stock acquisition right.
- (5) Exercise period of the stock acquisition rights  
Beginning on the first day of the period that the stock acquisition rights may be exercised or on the effective date of the corporate reorganization, whichever is later, and ending on the last day of the period that the stock acquisition rights may be exercised.
- (6) Increase in common stock and capital reserves arising from the issuance of shares upon the exercise of stock acquisition rights  
Determined in accordance with Note 5 above.
- (7) Limitations on transfers of stock acquisition rights  
The approval of the reorganized company's Board of Directors is required for any transfers of stock acquisition rights.
- (8) Terms and conditions for Company retrieval of stock acquisition rights  
This shall be decided based on the following procedure:  
If any of the resolutions enumerated below in this section are approved by the shareholders (or, in the event that shareholder approval is not required, if approved by the Board of Directors of the Company), the Company may retrieve the stock acquisition rights without compensation on a date to be separately specified by the Board of Directors.
  - (i) A proposal approving a merger agreement in which the Company is the disappearing entity;
  - (ii) A proposal approving a demerger agreement or a demerger plan in which the Company becomes the demerged company;
  - (iii) A proposal approving a stock swap agreement or a stock transfer plan in which the Company becomes a wholly owned subsidiary;
  - (iv) A proposal approving an amendment to the Articles of Incorporation that establishes a provision to the effect that the approval of the Company is required for an acquisition of shares through a transfer encompassing all of the outstanding shares of the Company; or
  - (v) A proposal approving an amendment to the Articles of Incorporation that establishes a provision to the effect that the approval of the Company is required for an acquisition of shares through a transfer that encompasses the shares underlying the stock acquisition rights or this class of shares will be acquired in its entirety with the approval of the shareholders of the Company.
- (9) Other conditions for exercising the stock acquisition rights  
Determined in accordance with Note 6 above.



## (b) Stock options transferred from NIPPONKOA and granted by the Company

	17th issue	18th issue
Resolution date	Extraordinary general meeting of shareholders of Sompo Japan held on December 22, 2009 and extraordinary general meeting of shareholders of NIPPONKOA held on December 30, 2009	Extraordinary general meeting of shareholders of Sompo Japan held on December 22, 2009 and extraordinary general meeting of shareholders of NIPPONKOA held on December 30, 2009
Title and number of grantees	Directors and executive officers of NIPPONKOA: 5 Others (Note 1): 7	Directors and executive officers of NIPPONKOA: 7 Others (Note 1): 11
Number of stock options granted by types of shares	Common stock: 35,775 stocks (Note 2)	Common stock: 50,400 stocks (Note 2)
Grant date	April 1, 2010	April 1, 2010
Condition for the vesting	Stock options are vested on the grant date.	Stock options are vested on the grant date.
Requisite service period	—	—
Exercise period	April 1, 2010 to June 29, 2024	April 1, 2010 to June 29, 2025
Number of stock acquisition rights*	14 stock acquisition rights (Note 3)	13 stock acquisition rights (Note 3)
Type, description and number of the shares underlying the stock acquisition rights*	Common stock: 3,150 stocks (Notes 3, 4)	Common stock: 2,925 stocks (Notes 3, 4)
Payment price upon exercise of a stock acquisition right (yen)*	1	1
Issue price and the amount of capital incorporation of the shares issued upon exercise of the stock acquisition rights (yen)*	Issue price: 2,385 Amount of capital incorporation (Note 5)	Issue price: 2,385 Amount of capital incorporation (Note 5)
Conditions for exercising the stock acquisition rights*	(Note 6)	(Note 6)
Matters related to the transfer of stock acquisition rights*	Subject to the approval of the Board of Directors.	Subject to the approval of the Board of Directors.
Matters related to the delivery of the stock acquisition rights associated with the corporate reorganization*	(Note 7)	(Note 7)

\* The above figures represents the status as of the end of the current fiscal year (March 31, 2018), which has not changed as of the end of the month prior to the submission date of this document (May 31, 2018).

## Notes

- "Others" in the column "Title and number of grantees" represents grantees at the time of grant by NIPPONKOA but who already retired or resigned the position by the grant date by the Company.
- Number of stock options in the column "Number of stock options granted by types of shares" is indicated by converting to number of shares. The numbers of shares are calculated as a reverse split of stocks to combine common stocks at a ratio of four shares to one share on October 1, 2011.
- The number of shares underlying each stock acquisition right is 225.
- In the event that the Company conducts a split of stocks or a reverse split of stocks of the common stock of the Company, the number of shares subject to such split of stocks or reverse split of stocks shall be adjusted by the following formula. However, such adjustment is restricted to the number of shares underlying the stock acquisition rights yet to be exercised at such time, where any fraction less than one share resulting from the adjustment shall be rounded down.  

$$\text{Number of shares after the adjustment} = \text{Number of shares before the adjustment} \times \text{stock split or reverse split ratio}$$
- Matters related to the increases in common stock and capital reserves arising from the issuance of shares due to the exercise of stock acquisition rights are as follows.
  - When new shares are issued due to the exercise of the stock acquisition rights, common stock will be increased by an amount equivalent to one-half the maximum increase in common stock, etc. calculated in accordance with Article 17, Paragraph 1 of the Corporate Accounting Regulations, with any fractions of a yen rounded up.
  - When new shares are issued due to the exercise of the stock acquisition rights, the amount of the increase in capital reserves will be the amount remaining after the amount of the increase in common stock as provided above is deducted from the amount of the maximum increase in common stock, etc. as stated in (1) above.
- Conditions for exercising the stock acquisition rights are as follows:
  - Stock acquisition right holders are allowed to exercise their stock acquisition rights only within a period beginning on the day a year after the day immediately following the date of the loss of their status as a director and executive officer of Sompo Japan Nipponkoa Insurance Inc. (hereinafter the "exercise commencement date"), and ending on the day 7 years after the exercise commencement date or the last day of the exercise period, whichever earlier.
  - Stock acquisition right holders must exercise the stock acquisition rights that they have been granted in their entirety, and they may not exercise only a portion of such rights.
- Matters related to the delivery of the stock acquisition rights associated with corporate reorganization are as follows.  
If the Company executes a merger (but only in those cases in which the Company ceases to exist because of the merger), an absorption-type demerger, an incorporation-type demerger, a stock swap or stock transfer (hereinafter collectively referred to as a "corporate reorganization"), stock acquisition rights of the relevant company as prescribed in Article 236, Paragraph 1, Item (viii) (a) through (e) of the Companies Act (the "reorganized company") will be delivered to the stock acquisition right holders possessing stock acquisition rights outstanding ("outstanding stock acquisition rights") at the effective date of the corporate reorganization. Under such circumstances, the outstanding stock acquisition rights will be extinguished, and new stock acquisition rights will be issued for the reorganized company. Provided, however, that this applies only in cases in which such delivery of stock acquisition rights for the reorganized company is stipulated, in accordance with the conditions presented below, in the absorption-type merger agreement, the incorporation-type merger agreement, the absorption-type demerger agreement, the incorporation-type demerger plan, the stock swap agreement, or the stock transfer plan.

- (1) Number of reorganized company stock acquisition rights to be delivered  
The number of reorganized company stock acquisition rights to be delivered is the equal to the number of stock acquisition rights held by the outstanding stock acquisition rights holder.
- (2) Type of reorganized company shares underlying the stock acquisition rights  
Common stock of the reorganized company
- (3) Number of reorganized company shares underlying the stock acquisition rights  
Number of reorganized company shares underlying the stock acquisition rights shall be determined in accordance with Note 4 above, taking into consideration the conditions of the corporate reorganization.
- (4) Value of assets contributed when exercising stock acquisition rights  
The value of assets to be contributed upon exercise of each stock acquisition right shall be the amount of payment price of one share delivered by exercising the stock acquisition rights, which is 1 yen, multiplied by the number of shares underlying one stock acquisition right.
- (5) Exercise period of the stock acquisition rights  
Beginning on the first day of the period that the stock acquisition rights may be exercised or on the effective date of the corporate reorganization, whichever is later, and ending on the last day of the period that the stock acquisition rights may be exercised.
- (6) Increase in common stock and capital reserves arising from the issuance of shares upon the exercise of stock acquisition rights  
Determined in accordance with Note 5 above.
- (7) Limitations on transfers of stock acquisition rights  
The approval of the reorganized company's Board of Directors is required for any transfers of stock acquisition rights.
- (8) Terms and conditions for Company retrieval of stock acquisition rights  
This shall be decided based on the following procedure:  
If any of the resolutions enumerated below in this section are approved by the shareholders (or, in the event that shareholder approval is not required, if approved by the Board of Directors of the Company), the Company may retrieve the stock acquisition rights without compensation on a date to be separately specified by the Board of Directors.
- (i) A proposal approving a merger agreement in which the Company is the disappearing entity;
- (ii) A proposal approving a demerger agreement or a demerger plan in which the Company becomes the demerged company;
- (iii) A proposal approving a stock swap agreement or a stock transfer plan in which the Company becomes a wholly owned subsidiary;
- (iv) A proposal approving an amendment to the Articles of Incorporation that establishes a provision to the effect that the approval of the Company is required for an acquisition of shares through a transfer encompassing all of the outstanding shares of the Company; or
- (v) A proposal approving an amendment to the Articles of Incorporation that establishes a provision to the effect that the approval of the Company is required for an acquisition of shares through a transfer that encompasses the shares underlying the stock acquisition rights or this class of shares will be acquired in its entirety with the approval of the shareholders of the Company.
- (9) Other conditions for exercising the stock acquisition rights  
Determined in accordance with Note 6 above.

	19th issue	20th issue
Resolution date	Extraordinary general meeting of shareholders of Sampo Japan held on December 22, 2009 and extraordinary general meeting of shareholders of NIPPONKOA held on December 30, 2009	Extraordinary general meeting of shareholders of Sampo Japan held on December 22, 2009 and extraordinary general meeting of shareholders of NIPPONKOA held on December 30, 2009
Title and number of grantees	Directors and executive officers of NIPPONKOA: 12 Others (Note 1): 2	Directors and executive officers of NIPPONKOA: 12 Others (Note 1): 2
Number of stock options granted by types of shares	Common stock: 27,675 stocks (Note 2)	Common stock: 30,375 stocks (Note 2)
Grant date	April 1, 2010	April 1, 2010
Condition for the vesting	Stock options are vested on the grant date.	Stock options are vested on the grant date.
Requisite service period	—	—
Exercise period	April 1, 2010 to March 27, 2027	April 1, 2010 to March 17, 2028
Number of stock acquisition rights*	10 stock acquisition rights (Note 3)	12 stock acquisition rights (Note 3)
Type, description and number of the shares underlying the stock acquisition rights*	Common stock: 2,250 stocks (Notes 3, 4)	Common stock: 2,700 stocks (Notes 3, 4)
Payment price upon exercise of a stock acquisition right (yen)*	1	1
Issue price and the amount of capital incorporation of the shares issued upon exercise of the stock acquisition rights (yen)*	Issue price: 2,441 Amount of capital incorporation (Note 5)	Issue price: 2,441 Amount of capital incorporation (Note 5)
Conditions for exercising the stock acquisition rights*	(Note 6)	(Note 6)
Matters related to the transfer of stock acquisition rights*	Subject to the approval of the Board of Directors.	Subject to the approval of the Board of Directors.
Matters related to the delivery of the stock acquisition rights associated with the corporate reorganization*	(Note 7)	(Note 7)

	21st issue	22nd issue
Resolution date	Extraordinary general meeting of shareholders of Sampo Japan held on December 22, 2009 and extraordinary general meeting of shareholders of NIPPONKOA held on December 30, 2009	Extraordinary general meeting of shareholders of Sampo Japan held on December 22, 2009 and extraordinary general meeting of shareholders of NIPPONKOA held on December 30, 2009
Title and number of grantees	Directors and executive officers of NIPPONKOA: 16 Others (Note 1): 3	Directors and executive officers of NIPPONKOA: 21 Others (Note 1): 3
Number of stock options granted by types of shares	Common stock: 61,875 stocks (Note 2)	Common stock: 88,425 stocks (Note 2)
Grant date	April 1, 2010	April 1, 2010
Condition for the vesting	Stock options are vested on the grant date.	Stock options are vested on the grant date.
Requisite service period	—	—
Exercise period	April 1, 2010 to March 16, 2029	April 1, 2010 to October 7, 2029
Number of stock acquisition rights*	19 stock acquisition rights (Note 3)	23 stock acquisition rights (Note 3)
Type, description and number of the shares underlying the stock acquisition rights*	Common stock: 4,275 stocks (Notes 3, 4)	Common stock: 5,175 stocks (Notes 3, 4)
Payment price upon exercise of a stock acquisition right (yen)*	1	1
Issue price and the amount of capital incorporation of the shares issued upon exercise of the stock acquisition rights (yen)*	Issue price: 2,441 Amount of capital incorporation (Note 5)	Issue price: 2,441 Amount of capital incorporation (Note 5)
Conditions for exercising the stock acquisition rights*	(Note 6)	(Note 6)
Matters related to the transfer of stock acquisition rights*	Subject to the approval of the Board of Directors.	Subject to the approval of the Board of Directors.
Matters related to the delivery of the stock acquisition rights associated with the corporate reorganization*	(Note 7)	(Note 7)

\* The above figures represents the status as of the end of the current fiscal year (March 31, 2018), which has not changed as of the end of the month prior to the submission date of this document (May 31, 2018).

Notes)

- "Others" in the column "Title and number of grantees" represents grantees at the time of grant by NIPPONKOA but who already retired or resigned the position by the grant date by the Company.
- Number of stock options in the column "Number of stock options granted by types of shares" is indicated by converting to number of shares. The numbers of shares are calculated as a reverse split of stocks to combine common stocks at a ratio of four shares to one share on October 1, 2011.
- The number of shares underlying each stock acquisition right is 225.
- In the event that the Company conducts a split of stocks or a reverse split of stocks of the common stock of the Company, the number of shares subject to such split of stocks or reverse split of stocks shall be adjusted by the following formula. However, such adjustment is restricted to the number of shares underlying the stock acquisition rights yet to be exercised at such time, where any fraction less than one share resulting from the adjustment shall be rounded down.  

$$\text{Number of shares after the adjustment} = \text{Number of shares before the adjustment} \times \text{stock split or reverse split ratio}$$
- Matters related to the increases in common stock and capital reserves arising from the issuance of shares due to the exercise of stock acquisition rights are as follows.
  - When new shares are issued due to the exercise of the stock acquisition rights, common stock will be increased by an amount equivalent to one-half the maximum increase in common stock, etc. calculated in accordance with Article 17, Paragraph 1 of the Corporate Accounting Regulations, with any fractions of a yen rounded up.
  - When new shares are issued due to the exercise of the stock acquisition rights, the amount of the increase in capital reserves will be the amount remaining after the amount of the increase in common stock as provided above is deducted from the amount of the maximum increase in common stock, etc. as stated in (1) above.
- Conditions for exercising the stock acquisition rights are as follows:
  - Stock acquisition right holders are allowed to exercise their stock acquisition rights only within a period beginning on the date of the loss of their status as a director and executive officer of Sampo Japan Nipponkoa Insurance Inc. (hereinafter the "exercise commencement date"), and ending on the day 10 days after the following date of the exercise commencement date (and before the end of the exercise period of the stock acquisition rights (hereinafter the "exercise period")).
  - Stock acquisition right holders must exercise the stock acquisition rights that they have been granted in their entirety, and they may not exercise only a portion of such rights.
- Matters related to the delivery of the stock acquisition rights associated with corporate reorganization are as follows.  
If the Company executes a merger (but only in those cases in which the Company ceases to exist because of the merger), an absorption-type demerger, an incorporation-type demerger, a stock swap or stock transfer (hereinafter collectively referred to as a "corporate reorganization"), stock acquisition rights of the relevant company as prescribed in Article 236, Paragraph 1, Item (viii) (a) through (e) of the Companies Act (the "reorganized company") will be delivered to the stock acquisition right holders possessing stock acquisition rights outstanding ("outstanding stock acquisition rights") at the effective date of the corporate reorganization. Under such circumstances, the outstanding stock acquisition rights will be extinguished, and new stock acquisition rights will be issued for the reorganized company. Provided, however, that this applies only in cases in which such delivery of stock acquisition rights for the reorganized company is stipulated, in accordance with the conditions presented below, in the absorption-type merger agreement, the incorporation-type merger agreement, the absorption-type demerger agreement, the incorporation-type demerger plan, the stock swap agreement, or the stock transfer plan.

- (1) Number of reorganized company stock acquisition rights to be delivered  
The number of reorganized company stock acquisition rights to be delivered is the equal to the number of stock acquisition rights held by the outstanding stock acquisition rights holder.
- (2) Type of reorganized company shares underlying the stock acquisition rights  
Common stock of the reorganized company
- (3) Number of reorganized company shares underlying the stock acquisition rights  
Number of reorganized company shares underlying the stock acquisition rights shall be determined in accordance with Note 4 above, taking into consideration the conditions of the corporate reorganization.
- (4) Value of assets contributed when exercising stock acquisition rights  
The value of assets to be contributed upon exercise of each stock acquisition right shall be the amount of payment price of one share delivered by exercising the stock acquisition rights, which is 1 yen, multiplied by the number of shares underlying one stock acquisition right.
- (5) Exercise period of the stock acquisition rights  
Beginning on the first day of the period that the stock acquisition rights may be exercised or on the effective date of the corporate reorganization, whichever is later, and ending on the last day of the period that the stock acquisition rights may be exercised.
- (6) Increase in common stock and capital reserves arising from the issuance of shares upon the exercise of stock acquisition rights  
Determined in accordance with Note 5 above.
- (7) Limitations on transfers of stock acquisition rights  
The approval of the reorganized company's Board of Directors is required for any transfers of stock acquisition rights.
- (8) Terms and conditions for Company retrieval of stock acquisition rights  
This shall be decided based on the following procedure:  
If any of the resolutions enumerated below in this section are approved by the shareholders (or, in the event that shareholder approval is not required, if approved by the Board of Directors of the Company), the Company may retrieve the stock acquisition rights without compensation on a date to be separately specified by the Board of Directors.
- (i) A proposal approving a merger agreement in which the Company is the disappearing entity;
- (ii) A proposal approving a demerger agreement or a demerger plan in which the Company becomes the demerged company;
- (iii) A proposal approving a stock swap agreement or a stock transfer plan in which the Company becomes a wholly owned subsidiary;
- (iv) A proposal approving an amendment to the Articles of Incorporation that establishes a provision to the effect that the approval of the Company is required for an acquisition of shares through a transfer encompassing all of the outstanding shares of the Company; or
- (v) A proposal approving an amendment to the Articles of Incorporation that establishes a provision to the effect that the approval of the Company is required for an acquisition of shares through a transfer that encompasses the shares underlying the stock acquisition rights or this class of shares will be acquired in its entirety with the approval of the shareholders of the Company.
- (9) Other conditions for exercising the stock acquisition rights  
Determined in accordance with Note 6 above.

(c) Stock options granted by the Company

	23rd issue	24th issue
Resolution date	Meeting of the Board of Directors held on July 30, 2010	Meeting of the Board of Directors held on October 14, 2011
Title and number of grantees	Directors and executive officers of the Company: 7 Directors and executive officers of subsidiaries of the Company: 66 The actual number of persons 69 (Notes 1, 2)	Directors and executive officers of the Company: 8 Directors and executive officers of subsidiaries of the Company: 82 The actual number of persons 86 (Notes 1, 2)
Number of stock options granted by types of shares	Common stock: 349,450 stocks (Note 3)	Common stock: 372,300 stocks (Note 3)
Grant date	August 16, 2010	November 1, 2011
Condition for the vesting	Stock options are vested on the grant date.	Stock options are vested on the grant date.
Requisite service period	—	—
Exercise period	August 17, 2010 to August 16, 2035	November 1, 2011 to October 31, 2036
Number of stock acquisition rights*	1,218 stock acquisition rights (Note 4)	464 [450] stock acquisition rights (Note 4)
Type, description and number of the shares underlying the stock acquisition rights*	Common stock: 30,450 stocks (Notes 4, 5)	Common stock: 46,400 [45,000] stocks (Notes 4, 5)
Payment price upon exercise of a stock acquisition right (yen)*	1	1
Issue price and the amount of capital incorporation of the shares issued upon exercise of the stock acquisition rights (yen)*	Issue price: 1,809 Amount of capital incorporation (Note 6)	Issue price: 1,373 Amount of capital incorporation (Note 6)
Conditions for exercising the stock acquisition rights*	(Note 7)	(Note 7)
Matters related to the transfer of stock acquisition rights*	Subject to the approval of the Board of Directors.	Subject to the approval of the Board of Directors.
Matters related to the delivery of the stock acquisition rights associated with the corporate reorganization*	(Note 8)	(Note 8)

	25th issue	26th issue
Resolution date	Meeting of the Board of Directors held on July 27, 2012	Meeting of the Board of Directors held on July 26, 2013
Title and number of grantees	Directors and executive officers of the Company: 7 Directors and executive officers of subsidiaries of the Company: 87 The actual number of persons (Notes 1, 2) 90	Directors and executive officers of the Company: 9 Directors and executive officers of subsidiaries of the Company: 136 The actual number of persons (Notes 1, 2) 79
Number of stock options granted by types of shares	Common stock: 391,100 stocks (Note 3)	Common stock: 195,000 stocks (Note 3)
Grant date	August 14, 2012	August 13, 2013
Condition for the vesting	Stock options are vested on the grant date.	Stock options are vested on the grant date.
Requisite service period	—	—
Exercise period	August 14, 2012 to August 13, 2037	August 13, 2013 to August 12, 2038
Number of stock acquisition rights*	581 [516] stock acquisition rights (Note 4)	385 [351] stock acquisition rights (Note 4)
Type, description and number of the shares underlying the stock acquisition rights*	Common stock: 58,100 [51,600] stocks (Notes 4, 5)	Common stock: 38,500 [35,100] stocks (Notes 4, 5)
Payment price upon exercise of a stock acquisition right (yen)*	1	1
Issue price and the amount of capital incorporation of the shares issued upon exercise of the stock acquisition rights (yen)*	Issue price: 1,329 Amount of capital incorporation (Note 6)	Issue price: 2,297 Amount of capital incorporation (Note 6)
Conditions for exercising the stock acquisition rights*	(Note 7)	(Note 7)
Matters related to the transfer of stock acquisition rights*	Subject to the approval of the Board of Directors.	Subject to the approval of the Board of Directors.
Matters related to the delivery of the stock acquisition rights associated with the corporate reorganization*	(Note 8)	(Note 8)

	27th issue	28th issue
Resolution date	Meeting of the Board of Directors held on July 30, 2014	Meeting of the Board of Directors held on July 30, 2015
Title and number of grantees	Directors and executive officers of the Company: 11 Directors and executive officers of subsidiaries of the Company: 117 The actual number of persons (Notes 1, 2) 69	Directors and executive officers of the Company: 16 Directors and executive officers of subsidiaries of the Company: 61 The actual number of persons (Notes 1, 2) 63
Number of stock options granted by types of shares	Common stock: 172,900 stocks (Note 3)	Common stock: 100,700 stocks (Note 3)
Grant date	August 15, 2014	August 17, 2015
Condition for the vesting	Stock options are vested on the grant date.	Stock options are vested on the grant date.
Requisite service period	—	—
Exercise period	August 15, 2014 to August 14, 2039	August 17, 2015 to August 16, 2040
Number of stock acquisition rights*	558 [498] stock acquisition rights (Note 4)	581 [480] stock acquisition rights (Note 4)
Type, description and number of the shares underlying the stock acquisition rights*	Common stock: 55,800 [49,800] stocks (Notes 4, 5)	Common stock: 58,100 [48,000] stocks (Notes 4, 5)
Payment price upon exercise of a stock acquisition right (yen)*	1	1
Issue price and the amount of capital incorporation of the shares issued upon exercise of the stock acquisition rights (yen)*	Issue price: 2,404 Amount of capital incorporation (Note 6)	Issue price: 4,153 Amount of capital incorporation (Note 6)
Conditions for exercising the stock acquisition rights*	(Note 7)	(Note 7)
Matters related to the transfer of stock acquisition rights*	Subject to the approval of the Board of Directors.	Subject to the approval of the Board of Directors.
Matters related to the delivery of the stock acquisition rights associated with the corporate reorganization*	(Note 8)	(Note 8)

\* The above figures represents the status as of the end of the current fiscal year (March 31, 2018). For changes made during the period between the end of the current fiscal year and the end of the month prior to the submission date of this document (May 31, 2018), status as of the end of the month prior to the submission date is indicated in square brackets and the absence of these indicates no change.

Notes)

1. "Directors" in the column "Title and number of grantees" excludes outside directors and non-full time directors.
2. Since several directors and executive officers of the Company have concurrently served as director/executive officer of the Company or its subsidiaries, the actual number of the persons to whom the stock acquisition rights of the Company are granted is shown in the table, respectively.
3. Number of stock options in the column "Number of stock options granted by types of shares" is indicated by converting to number of shares. The numbers of shares concerning the 23rd issue of stock acquisition rights of the Company are calculated as a reverse split of stocks to combine common stocks at a ratio of four shares to one share on October 1, 2011.
4. The number of shares underlying each stock acquisition right is 25 for the 23rd issue of stock acquisition rights and 100 for the 24th to the 28th issue of stock acquisition rights.
5. In the event that the Company conducts a split of stocks or a reverse split of stocks of the common stock of the Company, the number of shares subject to such split of stocks or reverse split of stocks shall be adjusted by the following formula. However, such adjustment is restricted to the number of shares underlying the stock acquisition rights yet to be exercised at such time, where any fraction less than one share resulting from the adjustment shall be rounded down.  
Number of shares after the adjustment = Number of shares before the adjustment × stock split or reverse split ratio
6. Matters related to the increases in common stock and capital reserves arising from the issuance of shares due to the exercise of stock acquisition rights are as follows.
  - (1) When new shares are issued due to the exercise of the stock acquisition rights, common stock will be increased by an amount equivalent to one-half the maximum increase in common stock, etc. calculated in accordance with Article 17, Paragraph 1 of the Corporate Accounting Regulations, with any fractions of a yen rounded up.
  - (2) When new shares are issued due to the exercise of the stock acquisition rights, the amount of the increase in capital reserves will be the amount remaining after the amount of the increase in common stock as provided above is deducted from the amount of the maximum increase in common stock, etc. as stated in (1) above.



7. Conditions for exercising the stock acquisition rights are as follows:
- (1) Stock acquisition right holders are allowed to exercise their stock acquisition rights only within a period of 10 days from the day immediately following the day on which the holders lose their status as a director and executive officer of the Company and its subsidiaries.
  - (2) Stock acquisition right holders must exercise the stock acquisition rights that they have been granted in their entirety, and they may not exercise only a portion of such rights.
8. Matters related to the delivery of the stock acquisition rights associated with corporate reorganization are as follows.
- If the Company executes a merger (but only in those cases in which the Company ceases to exist because of the merger), an absorption-type demerger, an incorporation-type demerger, a stock swap or stock transfer (hereinafter collectively referred to as a "corporate reorganization"), stock acquisition rights of the relevant company as prescribed in Article 236, Paragraph 1, Item (viii) (a) through (e) of the Companies Act (the "reorganized company") will be delivered to the stock acquisition right holders possessing stock acquisition rights outstanding ("outstanding stock acquisition rights") at the effective date of the corporate reorganization. Under such circumstances, the outstanding stock acquisition rights will be extinguished, and new stock acquisition rights will be issued for the reorganized company. Provided, however, that this applies only in cases in which such delivery of stock acquisition rights for the reorganized company is stipulated, in accordance with the conditions presented below, in the absorption-type merger agreement, the incorporation-type merger agreement, the absorption-type demerger agreement, the incorporation-type demerger plan, the stock swap agreement, or the stock transfer plan.
- (1) Number of reorganized company stock acquisition rights to be delivered  
The number of reorganized company stock acquisition rights to be delivered is the equal to the number of stock acquisition rights held by the outstanding stock acquisition rights holder.
  - (2) Type of reorganized company shares underlying the stock acquisition rights  
Common stock of the reorganized company
  - (3) Number of reorganized company shares underlying the stock acquisition rights  
Number of reorganized company shares underlying the stock acquisition rights shall be determined in accordance with Note 5 above, taking into consideration the conditions of the corporate reorganization.
  - (4) Value of assets contributed when exercising stock acquisition rights  
The value of assets to be contributed upon exercise of each stock acquisition right shall be the amount of payment price of one share delivered by exercising the stock acquisition rights, which is 1 yen, multiplied by the number of shares underlying one stock acquisition right.
  - (5) Exercise period of the stock acquisition rights  
Beginning on the first day of the period that the stock acquisition rights may be exercised or on the effective date of the corporate reorganization, whichever is later, and ending on the last day of the period that the stock acquisition rights may be exercised.
  - (6) Increase in common stock and capital reserves arising from the issuance of shares upon the exercise of stock acquisition rights  
Determined in accordance with Note 6 above.
  - (7) Limitations on transfers of stock acquisition rights  
The approval of the reorganized company's Board of Directors is required for any transfers of stock acquisition rights.
  - (8) Terms and conditions for Company retrieval of stock acquisition rights  
This shall be decided based on the following procedure:  
If any of the resolutions enumerated below in this section are approved by the shareholders (or, in the event that shareholder approval is not required, if approved by the Board of Directors of the Company), the Company may retrieve the stock acquisition rights without compensation on a date to be separately specified by the Board of Directors.
    - (i) A proposal approving a merger agreement in which the Company is the disappearing entity;
    - (ii) A proposal approving a demerger agreement or a demerger plan in which the Company becomes the demerged company;
    - (iii) A proposal approving a stock swap agreement or a stock transfer plan in which the Company becomes a wholly owned subsidiary;
    - (iv) A proposal approving an amendment to the Articles of Incorporation that establishes a provision to the effect that the approval of the Company is required for an acquisition of shares through a transfer encompassing all of the outstanding shares of the Company; or
    - (v) A proposal approving an amendment to the Articles of Incorporation that establishes a provision to the effect that the approval of the Company is required for an acquisition of shares through a transfer that encompasses the shares underlying the stock acquisition rights or this class of shares will be acquired in its entirety with the approval of the shareholders of the Company.
  - (9) Other conditions for exercising the stock acquisition rights  
Determined in accordance with Note 7 above.

## (2) Size and its changes of stock options

Number of stock options existing for the fiscal year ended March 31, 2018 is indicated by converting to number of shares.

### (a) Number of stock options

As all stock options are vested at the time that they are granted, items of stock options before vested are not shown.

<Stock options after vested>

	March 31, 2017	Vested	Exercised	Forfeited	March 31, 2018
13th issue of stock acquisition rights of the Company	23,750	—	—	23,750	—
14th issue	13,500	—	—	13,500	—
15th issue	4,925	—	—	—	4,925
16th issue	8,550	—	—	—	8,550
17th issue	4,050	—	450	450	3,150
18th issue	3,825	—	450	450	2,925
19th issue	2,250	—	—	—	2,250
20th issue	2,700	—	—	—	2,700
21st issue	4,275	—	—	—	4,275
22nd issue	5,175	—	—	—	5,175
23rd issue	33,550	—	3,100	—	30,450
24th issue	51,200	—	4,800	—	46,400
25th issue	68,200	—	10,100	—	58,100
26th issue	47,900	—	9,400	—	38,500
27th issue	69,100	—	13,300	—	55,800
28th issue	69,100	—	11,000	—	58,100

(b) Unit value information

	Exercise price (yen)	Average stock price at the time of exercise during the fiscal year ended March 31, 2018 (yen)	Fair value per share on the grant date (yen)
13th issue of stock acquisition rights of the Company	6,188 <sup>(Note 1)</sup>	—	1,516 <sup>(Notes 1, 2)</sup>
14th issue	3,960 <sup>(Note 1)</sup>	—	944 <sup>(Notes 1, 2)</sup>
15th issue	1	—	3,760 <sup>(Notes 1, 2)</sup>
16th issue	1	—	2,492 <sup>(Notes 1, 2)</sup>
17th issue	1	4,340	2,384 <sup>(Note 1)</sup>
18th issue	1	4,340	2,384 <sup>(Note 1)</sup>
19th issue	1	—	2,440 <sup>(Note 1)</sup>
20th issue	1	—	2,440 <sup>(Note 1)</sup>
21st issue	1	—	2,440 <sup>(Note 1)</sup>
22nd issue	1	—	2,440 <sup>(Note 1)</sup>
23rd issue	1	4,286	1,808 <sup>(Note 1)</sup>
24th issue	1	4,286	1,372
25th issue	1	4,154	1,328
26th issue	1	4,097	2,296
27th issue	1	4,076	2,403
28th issue	1	4,095	4,152

Notes)

1. The Company carried out a reverse split of stocks to combine common stocks at a ratio of four shares to one share on October 1, 2011. The amounts represent exercise price and fair value per share on the grant date after the execution of the reverse split of stocks.

2. Fair value per share at the time of grant by Sompo Japan is shown in the table.

#### 4. Method for estimating the fair value per share of stock options

There is no stock option granted for the fiscal year ended March 31, 2018.

The Company does not make a new estimation for the fair value per share of stock acquisition rights transferred from Sompo Japan to the Company (13th to 16th issue of stock acquisition rights of the Company).

The Company also does not make a new estimation for the fair value per share of stock acquisition rights transferred from NIPPONKOA to the Company (17th to 22nd issue of stock acquisition rights of the Company) because those are revalued under the purchase method.

#### 5. Method for estimating the number of rights of stock options vested

As all stock options are vested at the time that they are granted, this item is not applicable.

## 14. Tax Effect Accounting

### 1. Main components of deferred tax assets and deferred tax liabilities

	(Millions of yen)	
	As of March 31, 2017	As of March 31, 2018
Deferred tax assets:		
Underwriting reserves	176,638	175,792
Losses carried forward for tax purposes	30,672	38,293
Reserve for outstanding losses and claims	37,717	38,185
Intangible fixed assets for tax purposes	34,636	34,655
Impairment losses on securities and real estate	34,442	34,520
Net defined benefit liability	37,542	28,789
Others	62,339	57,731
Subtotal	413,989	407,968
Valuation allowance	(73,465)	(63,389)
Total deferred tax assets	340,524	344,578
Deferred tax liabilities:		
Unrealized gains and losses on securities available for sale	(353,067)	(373,883)
Unrealized gains and losses on consolidated subsidiaries	(10,596)	(10,530)
Others	(38,860)	(19,339)
Total deferred tax liabilities	(402,524)	(403,753)
Net deferred tax liabilities	(62,000)	(59,174)

### 2. Reconciliation of the significant difference between the statutory income tax rate and the effective tax rate after the application of tax effect accounting

	(%)	
	As of March 31, 2017	As of March 31, 2018
Japanese statutory income tax rate	30.9	30.9
(Reconciliation)		
Non-taxable revenue such as dividends received	(3.3)	(140.7)
Combined income of specified foreign subsidiaries or the like	0.0	80.2
Amortization of goodwill	1.2	7.0
Non-deductible expenses such as entertainment expenses	0.8	3.8
Others	(1.4)	(0.7)
Effective tax rate after the application of tax effect accounting	28.1	(19.5)

## 15. Business Combination

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### Business divestiture

#### (1) Summary of business divestiture

- (a) Name of the recipient of the divested company  
Fortuna Holdings Limited  
(Fortuna Holdings Limited is registered and incorporated in the Island of Jersey and owned by the fund managed by an affiliate of Centerbridge Partners, L.P.)
- (b) Description of the divested business  
Canopus AG (hereinafter "Canopus") engaged in insurance business, etc. and its subsidiaries and affiliates
- (c) Major reasons for the business divestiture  
Following the acquisition of Endurance Specialty Holdings Ltd. group in March 2017, operating Canopus, which has the similar Lloyd's business, as a standalone company would result in lack of strategic consistency, business efficiency and brand unification of the group. In addition, integrating Canopus in a hasty and irrational manner would harm the corporate value of Canopus. Taking these into consideration, the Company concluded that selling Canopus would help improve the Company's capital efficiency and maximize shareholder value and would be the best option for Canopus. Following negotiations with a number of potential buyers, the Company has transferred the shares of Canopus.
- (d) Date of the business divestiture  
March 9, 2018
- (e) Matters related to the summary of the transaction including its legal form  
Share transfer in which consideration is limited to cash and other properties

#### (2) Summary of accounting treatment applied

- (a) Amount of profits or losses on transfer  
Losses on sales of securities 1,332 million yen
- (b) Appropriate carrying amounts of the assets and liabilities associated with the transferred business and its major components
- |                    |                   |
|--------------------|-------------------|
| Total assets:      | USD 3,083 million |
| Securities         | USD 1,889 million |
| Total liabilities: | USD 2,505 million |
| Underwriting funds | USD 2,078 million |
- (c) Accounting treatment  
The difference between the consolidated carrying amount and the selling price of Canopus is recorded as losses on sales of securities in ordinary expenses.

#### (3) Reportable segment to which the divested business belonged

Overseas insurance business

#### (4) Approximate amounts of profits or losses related to the divested business as recorded on the consolidated statement of income for the fiscal year ended March 31, 2018

Net premiums written	129,755 million yen
Ordinary profit	(26,749) million yen

## 16. Segment Information

### Segment information

#### 1. Summary of reportable segments

The reportable segment of the Company is the component of SOMPO HOLDINGS, for which discrete financial information is available and whose operating results are periodically reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance. The respective group companies of the Company determine their comprehensive strategies for their operations as independent management unit and roll out their operations under the group-wide management policy of the Company.

Therefore, the Company is composed of business segments, which consist of the respective group companies as minimum component. "Domestic P&C insurance business," "Domestic life insurance business," "Nursing care and healthcare business" and "Overseas insurance business" are determined as the reportable segments. The Company, asset management business and defined-contribution pension business that are not covered by the reportable segments are included in "Others." The major companies which constitute the reportable segments and "Others" are described below.

"Domestic P&C insurance business" consists mainly of underwriting of property and casualty insurance, investment, and related activities in Japan. "Domestic life insurance business" consists mainly of underwriting of life insurance and investment activities in Japan, "Nursing care and healthcare business" consists mainly of providing nursing care service and healthcare service, "Overseas insurance business" consists mainly of underwriting of property and casualty insurance and investment activities overseas.

		Major companies
Reportable segments		
	Domestic P&C insurance business	Sompo Japan Nipponkoa Insurance Inc. SAISON AUTOMOBILE AND FIRE INSURANCE COMPANY, LIMITED Sonpo 24 Insurance Company Limited
	Domestic life insurance business	Sompo Japan Nipponkoa Himawari Life Insurance, Inc.
	Nursing care and healthcare business	Sompo Care Message Inc. Sompo Care Next Inc. Sompo Risk Management & Health Care Inc.
	Overseas insurance business	Sompo International Holdings Ltd. Sompo America Insurance Company Sompo Japan Sigorta Anonim Sirketi Sompo Seguros S. A.
Others		Sompo Holdings, Inc. (Insurance holding company) Sompo Japan Nipponkoa Asset Management Co., Ltd. Sompo Japan Nipponkoa DC Securities Inc.

#### 2. Calculation methods for the amount of sales, income or loss, assets and other items by each reportable segment

The accounting methods of reportable business segments are those mentioned in "1. Significant Accounting Policies for the Preparation of the Consolidated Financial Statements." Income or loss attributable to the reportable segments is the amounts based on net income attributable to shareholders of the parent in the consolidated statement of income.

Income from internal transactions among segments is based on the price of transactions among third parties and others.

(Changes in the depreciation method)

As described in “1. Significant Accounting Policies for the Preparation of the Consolidated Financial Statements 4. Accounting policies,” the Company and its domestic consolidated subsidiaries have changed the depreciation method for tangible fixed assets from the declining balance method to the straight-line method since the beginning of the fiscal year 2017. Previously, the Company and its domestic consolidated subsidiaries applied the declining balance method for depreciation of tangible fixed assets except for buildings acquired on or after April 1, 1998 and structures and fixtures attached to buildings acquired on or after April 1, 2016, to which the straight-line method was applied. As a result of this change, regarding segment income for the fiscal year ended March 31, 2018, “Domestic P&C insurance business” segment increased 2,026 million yen and “Nursing care and healthcare business” segment increased 95 million yen, respectively, compared with the amounts calculated under the previous method. The effect of this change on the other segments was immaterial.

### 3. Information related to the amount of sales, income or loss, assets and other items by each reportable segment

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable segments					Others (Note 2)	Total	Adjustments (Note 3)	Amount on the consolidated financial statements (Note 4)
	Domestic P&C insurance business	Domestic life insurance business	Nursing care and healthcare business	Overseas insurance business	Total				
Sales <sup>(Note 1)</sup> :									
Sales from transactions with external customers	2,212,230	317,311	116,492	344,655	2,990,689	9,892	3,000,582	418,948	3,419,530
Sales from internal transactions or transfers among segments	—	—	2,663	—	2,663	8,665	11,328	(11,328)	—
Total	2,212,230	317,311	119,155	344,655	2,993,352	18,558	3,011,910	407,619	3,419,530
Segment income (loss)	153,774	7,642	(6,847)	12,833	167,403	(1,000)	166,402	—	166,402
Segment assets	6,568,019	2,590,322	189,066	2,559,729	11,907,137	23,997	11,931,135	—	11,931,135
Other items:									
Depreciation	15,936	471	5,583	3,467	25,460	142	25,603	—	25,603
Amortization of goodwill	154	609	4,807	3,336	8,907	—	8,907	—	8,907
Interest and dividend income	113,916	41,582	164	18,750	174,413	0	174,413	(850)	173,563
Interest paid	5,330	93	3,052	1,181	9,658	7	9,666	(8)	9,657
Investment gains on the equity method	177	—	—	220	398	—	398	—	398
Extraordinary gains <sup>(Note 5)</sup>	9,257	0	0	53	9,312	69	9,381	—	9,381
Extraordinary losses <sup>(Note 6)</sup>	17,546	1,172	224	148	19,092	12	19,105	—	19,105
Impairment losses	197	—	178	—	375	11	387	—	387
Income tax expenses	55,082	3,426	1,386	4,655	64,550	722	65,272	—	65,272
Investment in affiliates accounted for under the equity method	1,324	—	—	1,761	3,085	—	3,085	—	3,085
Increase in tangible and intangible fixed assets	47,389	498	2,813	132,315	183,017	324	183,342	—	183,342

Notes)

- Sales amounts represent the following:
 

Domestic P&C insurance business:	Net premiums written
Domestic life insurance business:	Life insurance premiums written
Overseas insurance business:	Net premiums written and life insurance premiums written
Nursing care and healthcare business:	Ordinary income
“Others” and amount on the consolidated financial statements:	Ordinary income
- “Others” is business segments which are not included in reportable segments. It includes the Company (insurance holding company), asset management business and defined-contribution pension business.
- Adjustments of sales are as follows.
 

Ordinary income related to domestic P&C insurance business, domestic life insurance business and overseas insurance business excluding net premiums written and life insurance premiums written:	418,948 million yen
Elimination of internal transactions among segments:	(11,328) million yen
- Segment income (loss) is adjusted to net income attributable to shareholders of the parent in the consolidated statement of income.
- Extraordinary gains for domestic P&C insurance business include 9,257 million yen of gains on disposal of fixed assets.
- Extraordinary losses for domestic P&C insurance business include 10,542 million yen of provision for reserve for price fluctuation, and 6,807 million yen of losses on disposal of fixed assets.

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segments					Others (Note 2)	Total	Adjustments (Note 3)	Amount on the consolidated financial statements (Note 4)
	Domestic P&C insurance business	Domestic life insurance business	Nursing care and healthcare business	Overseas insurance business	Total				
Sales <sup>(Note 1)</sup> :									
Sales from transactions with external customers	2,218,407	341,998	125,047	641,347	3,326,801	9,304	3,336,106	433,946	3,770,052
Sales from internal transactions or transfers among segments	—	—	2,835	—	2,835	10,927	13,763	(13,763)	—
Total	2,218,407	341,998	127,883	641,347	3,329,637	20,232	3,349,869	420,183	3,770,052
Segment income (loss)	112,765	7,462	(1,485)	20,892	139,635	182	139,817	—	139,817
Segment assets	6,736,732	2,796,934	187,434	2,202,596	11,923,697	24,626	11,948,323	—	11,948,323
Other items:									
Depreciation	13,102	428	5,135	54,225	72,891	177	73,069	—	73,069
Amortization of goodwill	147	609	4,807	20,167	25,731	—	25,731	—	25,731
Interest and dividend income	105,454	43,816	152	42,285	191,709	0	191,710	(847)	190,863
Interest paid	7,063	96	2,920	4,470	14,550	3	14,554	(4)	14,549
Investment gains on the equity method	33	—	—	559	592	—	592	—	592
Extraordinary gains <sup>(Note 5)</sup>	4,641	0	0	26,021	30,663	50	30,713	(21)	30,692
Extraordinary losses <sup>(Note 6)</sup>	47,271	1,438	46	9,510	58,265	2	58,268	(21)	58,246
Impairment losses	2,738	—	—	8,393	11,132	—	11,132	—	11,132
Income tax expenses	43,369	3,166	500	(69,782)	(22,746)	445	(22,301)	—	(22,301)
Investment in affiliates accounted for under the equity method	1,356	—	—	3,554	4,910	—	4,910	—	4,910
Increase in tangible and intangible fixed assets	67,367	380	2,511	7,634	77,895	358	78,253	—	78,253

Notes)

- Sales amounts represent the following:
 

Domestic P&C insurance business:	Net premiums written
Domestic life insurance business:	Life insurance premiums written
Overseas insurance business:	Net premiums written and life insurance premiums written
Nursing care and healthcare business:	Ordinary income
"Others" and amount on the consolidated financial statements:	Ordinary income
- "Others" is business segments which are not included in reportable segments. It includes the Company (insurance holding company), asset management business and defined-contribution pension business.
- Adjustments of sales are as follows.
 

Ordinary income related to domestic P&C insurance business, domestic life insurance business and overseas insurance business excluding net premiums written and life insurance premiums written:	433,946 million yen
Elimination of internal transactions among segments:	(13,763) million yen
- Segment income (loss) is adjusted to net income attributable to shareholders of the parent in the consolidated statement of income.
- Extraordinary gains for domestic P&C insurance business include 4,619 million yen of gains on disposal of fixed assets. Also, extraordinary gains for overseas insurance business include 25,927 million yen of gains on liquidation of overseas subsidiaries.
- Extraordinary losses for domestic P&C insurance business include 34,041 million yen of losses on disposal of fixed assets, and 10,490 million yen of provision for reserve for price fluctuation. Also, extraordinary losses for overseas insurance business include 8,393 million yen of impairment losses.

## Related information

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

### 1. Information by products and services

(Millions of yen)

	Fire and allied insurance	Marine insurance	Personal accident insurance	Voluntary automobile insurance	Compulsory automobile liability insurance	Others	Total
Net premiums written	373,558	79,335	194,152	1,245,666	295,884	361,739	2,550,336

(Millions of yen)

	Individual insurance	Individual annuities	Group insurance	Group annuities	Total
Life insurance premiums written	299,931	6,935	16,994	—	323,860



## 2. Information by geographic area

### (1) Sales

(Millions of yen)

Japan	United States	Others	Total
2,557,488	74,313	358,887	2,990,689

Notes)

1. Sales represent amounts of net premiums written, life insurance premiums written and ordinary income of nursing care and healthcare business.
2. Geographic area is classified into country or region in line with the classification used for management purpose mainly based on locations of customers.

### (2) Tangible fixed assets

Geographic information is omitted because tangible fixed assets located in Japan constitute more than 90 percent of tangible fixed assets in the consolidated balance sheet.

## 3. Information by major customers

None.

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

## 1. Information by products and services

(Millions of yen)

	Fire and allied insurance	Marine insurance	Personal accident insurance	Voluntary automobile insurance	Compulsory automobile liability insurance	Others	Total
Net premiums written	454,125	105,325	192,798	1,241,314	292,021	569,170	2,854,755

(Millions of yen)

	Individual insurance	Individual annuities	Group insurance	Group annuities	Total
Life insurance premiums written	325,365	6,348	15,284	—	346,998

## 2. Information by geographic area

### (1) Sales

(Millions of yen)

Japan	United States	Others	Total
2,612,597	343,455	370,748	3,326,801

Notes)

1. Sales represent amounts of net premiums written, life insurance premiums written and ordinary income of nursing care and healthcare business.
2. Geographic area is classified into country or region in line with the classification used for management purpose mainly based on locations of customers.

### (2) Tangible fixed assets

Geographic information is omitted because tangible fixed assets located in Japan constitute more than 90 percent of tangible fixed assets in the consolidated balance sheet.

## 3. Information by major customers

None.

### Information related to impairment losses on fixed assets by reportable segments

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable segments					Others	Unallocated amounts and eliminations	Total
	Domestic P&C insurance business	Domestic life insurance business	Nursing care and healthcare business	Overseas insurance business	Total			
Impairment losses	197	—	178	—	375	11	—	387

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segments					Others	Unallocated amounts and eliminations	Total
	Domestic P&C insurance business	Domestic life insurance business	Nursing care and healthcare business	Overseas insurance business	Total			
Impairment losses	2,738	—	—	8,393	11,132	—	—	11,132

### Information related to amortization of goodwill and balance of goodwill by reportable segments

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable segments					Others	Unallocated amounts and eliminations	Total
	Domestic P&C insurance business	Domestic life insurance business	Nursing care and healthcare business	Overseas insurance business	Total			
Amortization for the fiscal year ended March 31, 2017	154	609	4,807	3,336	8,907	—	—	8,907
Balance as of March 31, 2017	389	2,436	50,405	226,154	279,386	—	—	279,386

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segments					Others	Unallocated amounts and eliminations	Total
	Domestic P&C insurance business	Domestic life insurance business	Nursing care and healthcare business	Overseas insurance business	Total			
Amortization for the fiscal year ended March 31, 2018	147	609	4,807	20,167	25,731	—	—	25,731
Balance as of March 31, 2018	241	1,827	45,598	176,310	223,977	—	—	223,977

### Information related to gains on negative goodwill by reportable segments

None.

## 17. Related-Party Transactions

There is no significant related-party transaction to be represented.

## 18. Per Share Information

	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)	Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
Net assets per share	4,583.07 yen	4,960.24 yen
Net income per share	419.15 yen	361.39 yen
Diluted net income per share	418.71 yen	361.09 yen

Notes)

1. Calculation of net income per share and diluted net income per share is based on the following figures.

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)	Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
Net income per share		
Net income attributable to shareholders of the parent	166,402	139,817
Amount not attributable to common stockholders	—	—
Net income attributable to shareholders of the parent to common stocks	166,402	139,817
Average number of common stocks outstanding	396,995 thousand shares	386,879 thousand shares
Diluted net income per share		
Adjustment of net income attributable to shareholders of the parent	—	—
Increase of common stocks:	419 thousand shares	328 thousand shares
Stock acquisition rights	419 thousand shares	328 thousand shares
Outline of dilutive shares which are not included in the calculation of diluted net income per share because they do not have dilutive effect	Stock acquisition rights: 2 types Number of dilutive shares: 37,250 shares	—

2. Calculation of net assets per share is based on the following figures.

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Total net assets	1,868,940	1,916,210
Amount to be deducted from total net assets:	65,964	28,441
Stock acquisition rights	926	749
Non-controlling interests	65,038	27,692
Net assets attributable to common stocks	1,802,975	1,887,769
Number of common stocks used for calculation of net assets per share	393,398 thousand shares	380,579 thousand shares

3. In the calculation of net income per share and diluted net income per share, the Company shares outstanding in "Board Benefit Trust (BBT)" which are recognized as treasury stock in shareholders' equity are included in treasury stock deducted from the average number of shares outstanding. In addition, in the calculation of net assets per share, such shares are included in treasury stock deducted from the number of total shares outstanding. The average number of the treasury stock deducted above mentioned is 458 thousand for the fiscal year ended March 31, 2017 and is 597 thousand for the fiscal year ended March 31, 2018. The number of the treasury stock deducted above mentioned is 612 thousand as of March 31, 2017 and is 596 thousand as of March 31, 2018.

## 19. Significant Subsequent Events

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### Acquisition of treasury stock

The Company passed a resolution setting out details of the Company's stock buybacks to be conducted in accord with Article 156 of the Companies Act applied pursuant to Article 165, paragraph 3, of that Act at the Company's Board of Directors meeting on May 18, 2018. The Company has been completed stock buybacks.

### 1. Details of the Company's Board of Directors' resolution

#### (1) Reason for stock buybacks

While maintaining financial soundness and improving capital efficiency by investing on growing fields, etc., the Company has a shareholder return policy of paying stable dividends, with the option of stock buybacks depending on capital conditions. Regarding medium-term management plan beginning in fiscal year ended March 31, 2017, the Company has set a medium-term target of the shareholder return (dividends and stock buybacks) for the total payout ratio of 50 percent of adjusted consolidated profit. In accordance with this policy, the Company will conduct stock buybacks as a part of the shareholder return for the financial results of fiscal year ended March 31, 2018.

#### (2) Details of stock buybacks

- |                            |                                  |
|----------------------------|----------------------------------|
| (a) Class of shares        | Common stock of the Company      |
| (b) Potential total number | 13,000,000 shares (upper limit)  |
| (c) Total price            | 39,100,000,000 yen (upper limit) |
| (d) Period                 | May 21, 2018–November 16, 2018   |

### 2. Details of result of stock buybacks

- |                     |  |
|---------------------|--|
| (1) Class of shares | Common stock of the Company                          |
| (2) Total number    | 8,238,100 shares                                     |
| (3) Total price     | 39,099,812,300 yen                                   |
| (4) Period          | May 21, 2018 — June 8, 2018                          |
| (5) Method          | Open-market transactions on the Tokyo Stock Exchange |

# Overview of Business Results of Principal Consolidated Subsidiaries

(Unaudited)

Sompo Japan Nipponkoa Insurance Inc. (Non-consolidated)

## Balance Sheet

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018	Increase (Decrease)
	Amount	Amount	
<b>Assets:</b>			
Cash and deposits:	369,971	<b>445,878</b>	75,906
Cash	6	<b>2</b>	(4)
Deposits	369,964	<b>445,875</b>	75,910
Receivables under resale agreements	54,999	<b>74,998</b>	19,999
Monetary receivables bought	7,624	<b>6,301</b>	(1,323)
Money trusts	104,292	<b>98,613</b>	(5,678)
Securities:	5,519,966	<b>5,491,040</b>	(28,926)
Government bonds	913,716	<b>834,110</b>	(79,605)
Municipal bonds	6,868	<b>6,839</b>	(29)
Corporate bonds	569,275	<b>570,034</b>	759
Domestic stocks	1,600,377	<b>1,661,445</b>	61,067
Foreign securities	2,379,894	<b>2,356,282</b>	(23,612)
Other securities	49,834	<b>62,328</b>	12,493
Loans:	626,474	<b>661,399</b>	34,924
Policy loans	8,647	<b>7,643</b>	(1,003)
Ordinary loans	617,827	<b>653,756</b>	35,928
Tangible fixed assets:	289,844	<b>244,366</b>	(45,477)
Land	143,299	<b>103,348</b>	(39,951)
Buildings	116,496	<b>105,830</b>	(10,665)
Leased assets	3,106	<b>2,563</b>	(542)
Construction in progress	2,751	<b>6,920</b>	4,168
Other tangible fixed assets	24,189	<b>25,703</b>	1,513
Intangible fixed assets:	37,608	<b>79,404</b>	41,795
Software	—	<b>4,913</b>	4,913
Other intangible fixed assets	37,608	<b>74,490</b>	36,882
Other assets:	568,415	<b>596,552</b>	28,137
Premiums receivable	2,465	<b>2,868</b>	403
Agency accounts receivable	171,724	<b>173,280</b>	1,555
Foreign agency accounts receivable	44,512	<b>38,056</b>	(6,456)
Coinsurance accounts receivable	10,291	<b>11,716</b>	1,425
Reinsurance accounts receivable	97,410	<b>100,220</b>	2,809
Foreign reinsurance accounts receivable	81,609	<b>65,424</b>	(16,184)
Proxy service receivable	688	<b>708</b>	19
Accounts receivable	32,137	<b>66,125</b>	33,988
Accrued income	10,547	<b>10,201</b>	(345)
Advance deposits	15,700	<b>19,322</b>	3,621
Earthquake insurance deposits	6,930	<b>7,364</b>	434
Suspense payments	70,466	<b>69,189</b>	(1,277)
Deposits paid for future transactions	7,415	<b>7,744</b>	328
Derivative assets	16,512	<b>24,328</b>	7,816
Other assets	1	<b>0</b>	(1)
Prepaid pension cost	884	<b>669</b>	(215)
Allowance for possible credit losses	(3,493)	<b>(3,570)</b>	(77)
Allowance for possible investment losses	(7,808)	<b>(7,476)</b>	331
<b>Total assets</b>	<b>7,568,779</b>	<b>7,688,176</b>	<b>119,396</b>

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018	Increase (Decrease)
	Amount	Amount	
<b>Liabilities:</b>			
Underwriting funds:	4,861,584	<b>4,766,933</b>	(94,651)
Reserve for outstanding losses and claims	912,762	<b>907,429</b>	(5,332)
Underwriting reserves	3,948,822	<b>3,859,504</b>	(89,318)
Corporate bonds	333,560	<b>433,560</b>	100,000
Other liabilities:	680,506	<b>651,635</b>	(28,871)
Coinsurance accounts payable	5,370	<b>5,135</b>	(234)
Reinsurance accounts payable	93,204	<b>81,782</b>	(11,421)
Foreign reinsurance accounts payable	35,631	<b>37,179</b>	1,547
Payables under securities lending transactions	250,063	<b>95,718</b>	(154,345)
Borrowings	444	<b>137,263</b>	136,818
Income taxes payable	43,472	<b>5,685</b>	(37,786)
Deposits received	3,574	<b>3,449</b>	(125)
Unearned income	376	<b>361</b>	(14)
Accounts payable	144,356	<b>173,446</b>	29,090
Suspense receipts	87,742	<b>84,158</b>	(3,584)
Derivative liabilities	663	<b>739</b>	75
Cash collateral received for financial instruments	10,790	<b>20,768</b>	9,978
Lease obligations	2,693	<b>3,968</b>	1,274
Asset retirement obligations	2,120	<b>1,977</b>	(142)
Reserve for retirement benefits	88,172	<b>92,974</b>	4,802
Reserve for bonus payments	18,375	<b>18,435</b>	59
Reserve for bonus payments to directors	135	<b>97</b>	(37)
Reserves under the special laws:	68,706	<b>79,193</b>	10,486
Reserve for price fluctuation	68,706	<b>79,193</b>	10,486
Deferred tax liabilities	62,461	<b>70,750</b>	8,289
Total liabilities	6,113,502	<b>6,113,580</b>	77
<b>Net assets:</b>			
Shareholders' equity:			
Common stock	70,000	<b>70,000</b>	—
Capital surplus:	70,000	<b>70,000</b>	—
Capital reserves	70,000	<b>70,000</b>	—
Retained earnings:	395,486	<b>459,119</b>	63,632
Other retained earnings:	395,486	<b>459,119</b>	63,632
Reserve for advanced depreciation	4,178	<b>4,084</b>	(94)
General reserve	83,300	<b>83,300</b>	—
Retained earnings carried forward	308,007	<b>371,735</b>	63,727
Total shareholders' equity	535,486	<b>599,119</b>	63,632
Valuation and translation adjustments:			
Unrealized gains and losses on securities available for sale	911,787	<b>968,426</b>	56,638
Deferred gains and losses on hedges	8,003	<b>7,050</b>	(952)
Total valuation and translation adjustments	919,790	<b>975,477</b>	55,686
Total net assets	1,455,276	<b>1,574,596</b>	119,319
Total liabilities and net assets	7,568,779	<b>7,688,176</b>	119,396

Sompo Japan Nipponkoa Insurance Inc. (Non-consolidated)  
**Statement of Income**

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)	Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)	Increase (Decrease)	Rate of change
	Amount	Amount		
<b>Ordinary income:</b>	2,585,968	<b>2,590,740</b>	4,771	0.2%
Underwriting income:	2,405,516	<b>2,424,702</b>	19,186	0.8
Net premiums written	2,165,694	<b>2,168,009</b>	2,314	0.1
Deposits of premiums by policyholders	131,574	<b>120,364</b>	(11,210)	(8.5)
Interest and dividend income on deposits of premiums, etc.	41,780	<b>39,287</b>	(2,493)	(6.0)
Reversal of reserve for outstanding losses and claims	213	<b>5,332</b>	5,119	2,400.0
Reversal of underwriting reserves	64,905	<b>89,318</b>	24,413	37.6
Foreign exchange gains	—	<b>835</b>	835	—
Other underwriting income	1,348	<b>1,556</b>	207	15.4
Investment income:	168,291	<b>155,053</b>	(13,237)	(7.9)
Interest and dividend income	114,898	<b>106,234</b>	(8,664)	(7.5)
Investment gains on money trusts	2,516	<b>5,476</b>	2,959	117.6
Gains on sales of securities	84,070	<b>81,469</b>	(2,601)	(3.1)
Gains on redemption of securities	45	<b>1,025</b>	979	2,132.5
Foreign exchange gains	7,547	—	(7,547)	(100.0)
Other investment income	993	<b>136</b>	(857)	(86.3)
Transfer of interest and dividend income on deposits of premiums, etc.	(41,780)	<b>(39,287)</b>	2,493	—
Other ordinary income	12,160	<b>10,983</b>	(1,176)	(9.7)
<b>Ordinary expenses:</b>	2,355,493	<b>2,415,519</b>	60,025	2.5
Underwriting expenses:	1,986,208	<b>2,021,875</b>	35,666	1.8
Net claims paid	1,242,843	<b>1,272,130</b>	29,286	2.4
Loss adjustment expenses	125,894	<b>123,507</b>	(2,387)	(1.9)
Net commissions and brokerage fees	385,963	<b>392,329</b>	6,365	1.6
Maturity refunds to policyholders	226,123	<b>231,262</b>	5,139	2.3
Dividends to policyholders	87	<b>186</b>	99	113.2
Foreign exchange losses	2,627	—	(2,627)	(100.0)
Other underwriting expenses	2,668	<b>2,458</b>	(210)	(7.9)
Investment expenses:	35,917	<b>57,210</b>	21,293	59.3
Investment losses on money trusts	198	<b>168</b>	(29)	(15.0)
Investment losses on trading securities	1	—	(1)	(100.0)
Losses on sales of securities	12,984	<b>14,110</b>	1,126	8.7
Impairment losses on securities	1,607	<b>26,703</b>	25,096	1,560.9
Losses on redemption of securities	315	<b>97</b>	(218)	(69.2)
Losses on derivatives	16,218	<b>11,326</b>	(4,891)	(30.2)
Foreign exchange losses	—	<b>1,406</b>	1,406	—
Other investment expenses	4,590	<b>3,396</b>	(1,193)	(26.0)
Operating, general and administrative expenses	322,505	<b>325,104</b>	2,599	0.8



(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)		Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)		Increase (Decrease)	Rate of change
	Amount	Amount	Amount	Amount		
Other ordinary expenses:	10,862	<b>11,328</b>	466	4.3%		
Interest paid	6,496	<b>7,058</b>	562	8.7		
Provision for allowance for possible credit losses	151	<b>171</b>	19	12.9		
Losses on bad debt	80	<b>11</b>	(68)	(85.3)		
Other ordinary expenses	4,133	<b>4,087</b>	(46)	(1.1)		
<b>Ordinary profit</b>	230,474	<b>175,220</b>	(55,253)	(24.0)		
<b>Extraordinary gains:</b>	9,257	<b>27,690</b>	18,432	199.1		
Gains on disposal of fixed assets	9,257	<b>4,619</b>	(4,638)	(50.1)		
Other extraordinary gains	—	<b>23,071</b>	23,071	—		
<b>Extraordinary losses:</b>	17,538	<b>47,541</b>	30,003	171.1		
Losses on disposal of fixed assets	6,803	<b>34,316</b>	27,512	404.4		
Impairment losses	197	<b>2,738</b>	2,541	1,285.5		
Provision for reserves under the special laws:	10,536	<b>10,486</b>	(50)	(0.5)		
Provision for reserve for price fluctuation	10,536	<b>10,486</b>	(50)	(0.5)		
<b>Net income before income taxes</b>	222,194	<b>155,369</b>	(66,824)	(30.1)		
<b>Income taxes</b>	45,842	<b>831</b>	(45,011)	(98.2)		
<b>Deferred income taxes</b>	11,949	<b>(15,494)</b>	(27,443)	(229.7)		
<b>Total income taxes</b>	57,792	<b>(14,663)</b>	(72,455)	(125.4)		
<b>Net income</b>	164,401	<b>170,032</b>	5,630	3.4		
<b>Underwriting result:</b>						
Net premiums written	(+)	2,165,694	<b>2,168,009</b>	2,314	0.1	
Net claims paid	(-)	1,242,843	<b>1,272,130</b>	29,286	2.4	
Loss adjustment expenses	(-)	125,894	<b>123,507</b>	(2,387)	(1.9)	
Net operating expenses:	(-)	692,688	<b>700,206</b>	7,518	1.1	
Net commissions and brokerage fees		385,963	<b>392,329</b>	6,365	1.6	
Operating, general and administrative expenses related to underwriting		306,724	<b>307,876</b>	1,152	0.4	
Underwriting result		104,267	<b>72,164</b>	(32,103)	(30.8)	
Underwriting profit		112,474	<b>94,815</b>	(17,659)	(15.7)	
<b>Ratios:</b>						
Net loss ratio	(%)	63.2	<b>64.4</b>	1.2		
Net operating expenses ratio	(%)	32.0	<b>32.3</b>	0.3		
Combined ratio	(%)	95.2	<b>96.7</b>	1.5		

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

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018	Increase (Decrease)
	Amount	Amount	
<b>Assets:</b>			
Cash and deposits:	26,846	<b>27,171</b>	324
Cash	0	<b>0</b>	0
Deposits	26,846	<b>27,170</b>	324
Securities:	16,878	<b>18,462</b>	1,583
Government bonds	8,819	<b>6,481</b>	(2,337)
Municipal bonds	4,494	<b>7,541</b>	3,046
Corporate bonds	2,737	<b>1,610</b>	(1,126)
Domestic stocks	31	<b>35</b>	4
Foreign securities	10	<b>1</b>	(8)
Other securities	786	<b>2,791</b>	2,005
Loans:	0	<b>0</b>	0
Policy loans	0	<b>0</b>	0
Tangible fixed assets:	224	<b>310</b>	86
Buildings	52	<b>87</b>	34
Leased assets	162	<b>185</b>	22
Other tangible fixed assets	8	<b>38</b>	29
Intangible fixed assets:	2,995	<b>2,896</b>	(99)
Software	2,991	<b>2,892</b>	(99)
Other intangible fixed assets	3	<b>3</b>	—
Other assets:	4,710	<b>4,998</b>	287
Premiums receivable	1,641	<b>1,752</b>	110
Agency accounts receivable	77	<b>71</b>	(6)
Coinsurance accounts receivable	12	<b>11</b>	(1)
Reinsurance accounts receivable	74	<b>66</b>	(8)
Foreign reinsurance accounts receivable	77	<b>45</b>	(32)
Accounts receivable	634	<b>599</b>	(34)
Accrued income	35	<b>31</b>	(4)
Advance deposits	361	<b>373</b>	11
Suspense payments	1,560	<b>1,768</b>	208
Other assets	234	<b>277</b>	42
Allowance for possible credit losses	(0)	<b>(31)</b>	(31)
<b>Total assets</b>	<b>51,655</b>	<b>53,807</b>	<b>2,151</b>

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018	Increase (Decrease)
	Amount	Amount	
<b>Liabilities:</b>			
Underwriting funds:	38,998	<b>41,984</b>	2,985
Reserve for outstanding losses and claims	12,444	<b>13,630</b>	1,186
Underwriting reserves	26,553	<b>28,353</b>	1,799
Other liabilities:	2,891	<b>3,049</b>	158
Coinsurance accounts payable	40	<b>36</b>	(3)
Reinsurance accounts payable	234	<b>190</b>	(43)
Foreign reinsurance accounts payable	153	<b>133</b>	(19)
Income taxes payable	116	<b>130</b>	13
Deposits received	3	<b>15</b>	12
Accounts payable	1,469	<b>1,534</b>	65
Suspense receipts	707	<b>818</b>	111
Lease obligations	165	<b>188</b>	22
Reserve for retirement benefits to directors	20	<b>25</b>	4
Reserve for bonus payments	264	<b>273</b>	9
Reserve for bonus payments to directors	27	<b>22</b>	(5)
Reserves under the special laws:	40	<b>44</b>	4
Reserve for price fluctuation	40	<b>44</b>	4
Deferred tax liabilities	130	<b>118</b>	(11)
Total liabilities	42,373	<b>45,518</b>	3,144
<b>Net assets:</b>			
Shareholders' equity:			
Common stock	28,760	<b>31,010</b>	2,250
Capital surplus:	26,997	<b>29,247</b>	2,249
Capital reserves	26,997	<b>29,247</b>	2,249
Other capital surplus	0	<b>0</b>	—
Retained earnings:	(46,903)	<b>(52,364)</b>	(5,461)
Other retained earnings:	(46,903)	<b>(52,364)</b>	(5,461)
Retained earnings carried forward	(46,903)	<b>(52,364)</b>	(5,461)
Total shareholders' equity	8,854	<b>7,893</b>	(961)
Valuation and translation adjustments:			
Unrealized gains and losses on securities available for sale	427	<b>396</b>	(30)
Total valuation and translation adjustments	427	<b>396</b>	(30)
Total net assets	9,281	<b>8,289</b>	(992)
Total liabilities and net assets	51,655	<b>53,807</b>	2,151

SAISON AUTOMOBILE AND FIRE INSURANCE COMPANY, LIMITED (Non-consolidated)  
**Statement of Income**

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)	Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)	Increase (Decrease)	Rate of change
	Amount	Amount		
<b>Ordinary income:</b>	33,379	<b>38,160</b>	4,780	14.3%
Underwriting income:	33,299	<b>38,065</b>	4,765	14.3
Net premiums written	33,223	<b>38,012</b>	4,788	14.4
Deposits of premiums by policyholders	42	<b>16</b>	(26)	(60.7)
Interest and dividend income on deposits of premiums, etc.	32	<b>35</b>	2	8.3
Investment income:	72	<b>90</b>	18	25.1
Interest and dividend income	93	<b>83</b>	(10)	(11.5)
Gains on sales of securities	3	<b>37</b>	33	874.9
Other investment income	7	<b>5</b>	(1)	(21.5)
Transfer of interest and dividend income on deposits of premiums, etc.	(32)	<b>(35)</b>	(2)	—
Other ordinary income	8	<b>5</b>	(3)	(37.9)
<b>Ordinary expenses:</b>	39,311	<b>43,602</b>	4,291	10.9
Underwriting expenses:	27,515	<b>30,151</b>	2,636	9.6
Net claims paid	19,532	<b>23,102</b>	3,570	18.3
Loss adjustment expenses	2,731	<b>3,108</b>	376	13.8
Net commissions and brokerage fees	857	<b>841</b>	(15)	(1.8)
Maturity refunds to policyholders	308	<b>105</b>	(203)	(65.9)
Provision for reserve for outstanding losses and claims	2,312	<b>1,186</b>	(1,126)	(48.7)
Provision for underwriting reserves	1,767	<b>1,799</b>	32	1.8
Foreign exchange losses	0	<b>0</b>	(0)	(73.9)
Other underwriting expenses	6	<b>8</b>	2	44.0
Investment expenses:	4	<b>3</b>	(0)	(7.7)
Other investment expenses	4	<b>3</b>	(0)	(7.7)
Operating, general and administrative expenses	11,761	<b>13,375</b>	1,613	13.7
Other ordinary expenses:	29	<b>71</b>	41	137.6
Interest paid	3	<b>4</b>	1	32.5
Provision for allowance for possible credit losses	—	<b>31</b>	31	—
Other ordinary expenses	26	<b>35</b>	8	33.9
<b>Ordinary loss</b>	(5,931)	<b>(5,441)</b>	489	—

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)		Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)		Increase (Decrease)	Rate of change
	Amount	Amount	Amount	Amount		
<b>Extraordinary losses:</b>	4	<b>4</b>	0			6.1%
Losses on disposal of fixed assets	0	<b>0</b>	0			78.8
Impairment losses	0	<b>—</b>	(0)			(100.0)
Provision for reserves under the special laws:	3	<b>4</b>	0			8.2
Provision for reserve for price fluctuation	3	<b>4</b>	0			8.2
<b>Net loss before income taxes</b>	(5,935)	<b>(5,446)</b>	489			—
<b>Income taxes</b>	12	<b>15</b>	2			21.4
<b>Total income taxes</b>	12	<b>15</b>	2			21.4
<b>Net loss</b>	(5,948)	<b>(5,461)</b>	486			—
<b>Underwriting result:</b>						
Net premiums written	(+)	33,223	<b>38,012</b>	4,788		14.4
Net claims paid	(-)	19,532	<b>23,102</b>	3,570		18.3
Loss adjustment expenses	(-)	2,731	<b>3,108</b>	376		13.8
Net operating expenses:	(-)	12,601	<b>14,198</b>	1,597		12.7
Net commissions and brokerage fees		857	<b>841</b>	(15)		(1.8)
Operating, general and administrative expenses related to underwriting		11,743	<b>13,356</b>	1,613		13.7
Underwriting result		(1,641)	<b>(2,396)</b>	(754)		—
Underwriting profit (loss)		(5,938)	<b>(5,422)</b>	516		—
<b>Ratios:</b>						
Net loss ratio	(%)	67.0	<b>69.0</b>	2.0		
Net operating expenses ratio	(%)	37.9	<b>37.4</b>	(0.5)		
Combined ratio	(%)	104.9	<b>106.4</b>	1.5		

Sompo 24 Insurance Company Limited (Non-consolidated)  
**Balance Sheet**

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018	Increase (Decrease)
	Amount	Amount	
<b>Assets:</b>			
Cash and deposits:	15,196	<b>20,795</b>	5,598
Cash	—	<b>0</b>	0
Deposits	15,196	<b>20,795</b>	5,598
Securities:	7,127	<b>2,001</b>	(5,125)
Government bonds	7,027	<b>2,001</b>	(5,025)
Other securities	100	—	(100)
Tangible fixed assets:	204	<b>188</b>	(16)
Buildings	18	<b>16</b>	(2)
Other tangible fixed assets	185	<b>171</b>	(13)
Other assets:	909	<b>895</b>	(13)
Reinsurance accounts receivable	—	<b>8</b>	8
Accounts receivable	667	<b>658</b>	(8)
Accrued income	2	<b>1</b>	(0)
Advance deposits	171	<b>171</b>	0
Suspense payments	68	<b>54</b>	(13)
Deferred tax assets	258	<b>219</b>	(38)
Total assets	23,696	<b>24,100</b>	403
<b>Liabilities:</b>			
Underwriting funds:	13,427	<b>11,933</b>	(1,494)
Reserve for outstanding losses and claims	5,382	<b>4,458</b>	(924)
Underwriting reserves	8,045	<b>7,475</b>	(569)
Other liabilities:	2,279	<b>2,200</b>	(79)
Reinsurance accounts payable	4	<b>4</b>	0
Income taxes payable	135	<b>198</b>	63
Deposits received	8	<b>5</b>	(3)
Accounts payable	1,072	<b>988</b>	(83)
Suspense receipts	1,059	<b>1,003</b>	(55)
Reserve for retirement benefits	258	<b>280</b>	22
Reserve for bonus payments	97	<b>98</b>	0
Reserve for bonus payments to directors	5	<b>4</b>	(0)
Reserves under the special laws:	41	<b>20</b>	(21)
Reserve for price fluctuation	41	<b>20</b>	(21)
Total liabilities	16,110	<b>14,537</b>	(1,573)
<b>Net assets:</b>			
Shareholders' equity:			
Common stock	19,000	<b>19,000</b>	—
Capital surplus:	19,000	<b>19,000</b>	—
Capital reserves	19,000	<b>19,000</b>	—
Retained earnings:	(30,423)	<b>(28,437)</b>	1,986
Other retained earnings:	(30,423)	<b>(28,437)</b>	1,986
Retained earnings carried forward	(30,423)	<b>(28,437)</b>	1,986
Total shareholders' equity	7,576	<b>9,562</b>	1,986
Valuation and translation adjustments:			
Unrealized gains and losses on securities available for sale	9	<b>0</b>	(9)
Total valuation and translation adjustments	9	<b>0</b>	(9)
Total net assets	7,586	<b>9,562</b>	1,976
Total liabilities and net assets	23,696	<b>24,100</b>	403

Sonpo 24 Insurance Company Limited (Non-consolidated)  
Statement of Income

(Millions of yen)

	Fiscal year ended		Increase (Decrease)	Rate of change	
	March 31, 2017 (April 1, 2016 to March 31, 2017)	March 31, 2018 (April 1, 2017 to March 31, 2018)			
	Amount	Amount			
<b>Ordinary income:</b>	14,149	<b>13,881</b>	(267)	(1.9)%	
Underwriting income:	14,128	<b>13,890</b>	(237)	(1.7)	
Net premiums written	13,312	<b>12,386</b>	(926)	(7.0)	
Interest and dividend income on deposits of premiums, etc.	10	<b>10</b>	0	4.5	
Reversal of reserve for outstanding losses and claims	494	<b>924</b>	429	86.8	
Reversal of underwriting reserves	310	<b>569</b>	258	83.2	
Investment income:	(1)	<b>(10)</b>	(8)	—	
Interest and dividend income	8	<b>0</b>	(8)	(94.8)	
Transfer of interest and dividend income on deposits of premiums, etc.	(10)	<b>(10)</b>	(0)	—	
Other ordinary income	22	<b>0</b>	(21)	(95.6)	
<b>Ordinary expenses:</b>	12,540	<b>11,595</b>	(945)	(7.5)	
Underwriting expenses:	9,124	<b>8,507</b>	(616)	(6.8)	
Net claims paid	7,268	<b>6,775</b>	(493)	(6.8)	
Loss adjustment expenses	1,038	<b>996</b>	(41)	(4.0)	
Net commissions and brokerage fees	817	<b>735</b>	(81)	(10.0)	
Operating, general and administrative expenses	3,416	<b>3,087</b>	(329)	(9.6)	
Other ordinary expenses:	0	<b>0</b>	0	539.7	
Other ordinary expenses	0	<b>0</b>	0	539.7	
<b>Ordinary profit</b>	1,608	<b>2,285</b>	677	42.1	
<b>Extraordinary gains:</b>	—	<b>21</b>	21	—	
Reversal of reserves under the special laws:	—	<b>21</b>	21	—	
Reversal of reserve for price fluctuation	—	<b>21</b>	21	—	
<b>Extraordinary losses:</b>	1	<b>36</b>	34	1,865.6	
Losses on disposal of fixed assets	0	<b>1</b>	1	233.3	
Provision for reserves under the special laws:	1	<b>—</b>	(1)	(100.0)	
Provision for reserve for price fluctuation	1	<b>—</b>	(1)	(100.0)	
Business structure reform expenses	—	<b>35</b>	35	—	
<b>Net income before income taxes</b>	1,606	<b>2,271</b>	664	41.3	
<b>Income taxes</b>	153	<b>242</b>	88	58.0	
<b>Deferred income taxes</b>	(262)	<b>42</b>	304	—	
<b>Total income taxes</b>	(108)	<b>284</b>	393	—	
<b>Net income</b>	1,715	<b>1,986</b>	270	15.8	
<b>Underwriting result:</b>					
Net premiums written	(+)	13,312	<b>12,386</b>	(926)	(7.0)
Net claims paid	(-)	7,268	<b>6,775</b>	(493)	(6.8)
Loss adjustment expenses	(-)	1,038	<b>996</b>	(41)	(4.0)
Net operating expenses:	(-)	4,230	<b>3,820</b>	(409)	(9.7)
Net commissions and brokerage fees		817	<b>735</b>	(81)	(10.0)
Operating, general and administrative expenses related to underwriting		3,413	<b>3,084</b>	(328)	(9.6)
Underwriting result		775	<b>793</b>	17	2.3
Underwriting profit		1,591	<b>2,297</b>	706	44.4
<b>Ratios:</b>					
Net loss ratio	(%)	62.4	<b>62.8</b>	0.4	
Net operating expenses ratio	(%)	31.8	<b>30.8</b>	(0.9)	
Combined ratio	(%)	94.2	<b>93.6</b>	(0.6)	



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

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018	Increase (Decrease)
	Amount	Amount	
<b>Assets:</b>			
Cash and deposits:	58,074	<b>90,465</b>	32,391
Cash	0	<b>0</b>	(0)
Deposits	58,073	<b>90,465</b>	32,391
Securities:	2,434,670	<b>2,594,537</b>	159,866
Government bonds	1,699,212	<b>1,773,257</b>	74,045
Municipal bonds	58,608	<b>61,410</b>	2,801
Corporate bonds	343,065	<b>354,833</b>	11,767
Domestic stocks	7,963	<b>9,233</b>	1,269
Foreign securities	325,819	<b>395,802</b>	69,983
Loans:	38,254	<b>39,865</b>	1,610
Policy loans	38,254	<b>39,865</b>	1,610
Tangible fixed assets:	1,515	<b>1,455</b>	(59)
Buildings	396	<b>433</b>	37
Leased assets	931	<b>759</b>	(172)
Other tangible fixed assets	187	<b>262</b>	75
Agency accounts receivable	132	<b>120</b>	(12)
Reinsurance accounts receivable	1,756	<b>1,925</b>	169
Other assets:	46,196	<b>53,984</b>	7,788
Accounts receivable	32,785	<b>35,828</b>	3,043
Prepaid expenses	1,809	<b>1,865</b>	55
Accrued income	7,123	<b>7,600</b>	476
Advance deposits	2,783	<b>2,750</b>	(32)
Derivative assets	1,266	<b>5,384</b>	4,117
Suspense payments	372	<b>481</b>	109
Other assets	55	<b>73</b>	17
Deferred tax assets	8,464	<b>13,923</b>	5,459
Allowance for possible credit losses	(37)	<b>(48)</b>	(10)
<b>Total assets</b>	<b>2,589,026</b>	<b>2,796,230</b>	<b>207,203</b>

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018	Increase (Decrease)
	Amount	Amount	
<b>Liabilities:</b>			
Policy reserves:	2,417,365	<b>2,604,810</b>	187,444
Reserve for outstanding claims	40,870	<b>41,979</b>	1,109
Policy reserves	2,371,198	<b>2,557,365</b>	186,166
Reserve for dividends to policyholders	5,296	<b>5,465</b>	168
Agency accounts payable	6,073	<b>4,506</b>	(1,566)
Reinsurance accounts payable	987	<b>963</b>	(24)
Other liabilities:	17,734	<b>41,408</b>	23,673
Payables under securities lending transactions	—	<b>22,921</b>	22,921
Income taxes payable	2,936	<b>2,544</b>	(391)
Accounts payable	1,026	<b>5,805</b>	4,778
Accrued expenses	8,883	<b>7,964</b>	(919)
Deposits received	593	<b>225</b>	(368)
Derivative liabilities	1,656	<b>203</b>	(1,453)
Cash collateral received for financial instruments	—	<b>100</b>	100
Lease obligations	1,075	<b>900</b>	(174)
Suspense receipts	1,561	<b>742</b>	(818)
Reserve for bonus payments to directors	52	<b>47</b>	(5)
Reserve for retirement benefits	3,235	<b>3,698</b>	463
Reserves under the special laws:	5,412	<b>6,838</b>	1,425
Reserve for price fluctuation	5,412	<b>6,838</b>	1,425
<b>Total liabilities</b>	<b>2,450,859</b>	<b>2,662,271</b>	<b>211,411</b>
<b>Net assets:</b>			
Shareholders' equity:			
Common stock	17,250	<b>17,250</b>	—
Capital surplus:	16,300	<b>13,333</b>	(2,966)
Capital reserves	12,740	<b>13,333</b>	593
Other capital surplus	3,560	—	(3,560)
Retained earnings:	58,506	<b>65,624</b>	7,117
Legal reserve	—	<b>200</b>	200
Other retained earnings:	58,506	<b>65,424</b>	6,917
Reserve under Article 10 of the Supplementary Provisions of Ordinance for Enforcement of the Insurance Business Act	325	<b>325</b>	—
Retained earnings carried forward	58,181	<b>65,099</b>	6,917
Total shareholders' equity	92,056	<b>96,207</b>	4,151
Valuation and translation adjustments:			
Unrealized gains and losses on securities available for sale	46,109	<b>37,750</b>	(8,359)
Total valuation and translation adjustments	46,109	<b>37,750</b>	(8,359)
<b>Total net assets</b>	<b>138,166</b>	<b>133,958</b>	<b>(4,208)</b>
<b>Total liabilities and net assets</b>	<b>2,589,026</b>	<b>2,796,230</b>	<b>207,203</b>

Sompo Japan Nipponkoa Himawari Life Insurance, Inc. (Non-consolidated)  
**Statement of Income**

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)	Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)	Increase (Decrease)	Rate of change
	Amount	Amount		
<b>Ordinary income:</b>	469,837	<b>490,791</b>	20,953	4.5%
Insurance premiums and other:	419,507	<b>438,487</b>	18,979	4.5
Insurance premiums	415,721	<b>434,803</b>	19,081	4.6
Reinsurance income	3,785	<b>3,684</b>	(101)	(2.7)
Investment income:	48,759	<b>49,490</b>	730	1.5
Interest and dividend income and other:	41,676	<b>43,880</b>	2,203	5.3
Interest and dividends on securities	40,534	<b>42,659</b>	2,124	5.2
Interest on loans	1,141	<b>1,181</b>	40	3.5
Other interest and dividends	—	<b>39</b>	39	—
Gains on sales of securities	5,232	<b>4,132</b>	(1,100)	(21.0)
Investment gains on special account	1,851	<b>1,478</b>	(372)	(20.1)
Other ordinary income:	1,570	<b>2,812</b>	1,242	79.1
Fund receipt for annuity rider	110	<b>1,205</b>	1,094	986.2
Fund receipt for claim deposit payments	1,450	<b>1,573</b>	123	8.5
Other ordinary income	8	<b>33</b>	24	271.5
<b>Ordinary expenses:</b>	452,957	<b>474,069</b>	21,111	4.7
Insurance claims and other:	181,079	<b>182,504</b>	1,424	0.8
Insurance claims	30,695	<b>34,636</b>	3,941	12.8
Annuity payments	12,702	<b>12,362</b>	(339)	(2.7)
Insurance benefits	39,271	<b>42,700</b>	3,429	8.7
Surrender benefits	91,883	<b>86,263</b>	(5,620)	(6.1)
Other refunds	2,575	<b>2,904</b>	328	12.8
Reinsurance premiums	3,951	<b>3,635</b>	(315)	(8.0)
Provision for policy reserves and other:	159,942	<b>187,276</b>	27,333	17.1
Provision for reserve for outstanding claims	3,615	<b>1,109</b>	(2,506)	(69.3)
Provision for policy reserves	156,326	<b>186,166</b>	29,840	19.1
Provision for interest portion of reserve for dividends to policyholders	0	<b>0</b>	(0)	(80.8)
Investment expenses:	3,545	<b>4,449</b>	903	25.5
Interest paid	93	<b>96</b>	2	2.4
Losses on sales of securities	2,220	<b>2,855</b>	634	28.6
Losses on derivatives	1,125	<b>1,384</b>	259	23.1
Foreign exchange losses	26	<b>14</b>	(12)	(45.8)
Provision for allowance for possible credit losses	11	<b>12</b>	0	1.8
Other investment expenses	67	<b>87</b>	19	28.3
Operating expenses	104,321	<b>95,576</b>	(8,745)	(8.4)

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)	Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)	Increase (Decrease)	Rate of change
	Amount	Amount		
Other ordinary expenses:	4,068	<b>4,263</b>	194	4.8%
Claim deposit payments	1,071	<b>1,291</b>	219	20.5
Taxes	2,067	<b>2,056</b>	(10)	(0.5)
Depreciation	471	<b>428</b>	(43)	(9.2)
Provision for reserve for retirement benefits	431	<b>463</b>	31	7.3
Other ordinary expenses	25	<b>23</b>	(2)	(9.9)
<b>Ordinary profit</b>	16,880	<b>16,721</b>	(158)	(0.9)
<b>Extraordinary gains:</b>	0	<b>0</b>	(0)	(11.5)
Gains on disposal of fixed assets and other	0	<b>0</b>	(0)	(11.5)
<b>Extraordinary losses:</b>	1,172	<b>1,438</b>	265	22.6
Losses on disposal of fixed assets and other	1	<b>12</b>	11	843.1
Provision for reserves under the special laws:	1,171	<b>1,425</b>	254	21.7
Provision for reserve for price fluctuation	1,171	<b>1,425</b>	254	21.7
<b>Provision for reserve for dividends to policyholders</b>	3,935	<b>3,981</b>	46	1.2
<b>Net income before income taxes</b>	11,771	<b>11,301</b>	(469)	(4.0)
<b>Income taxes</b>	5,686	<b>5,392</b>	(293)	(5.2)
<b>Deferred income taxes</b>	(2,233)	<b>(2,208)</b>	25	—
<b>Total income taxes</b>	3,452	<b>3,184</b>	(268)	(7.8)
<b>Net income</b>	8,319	<b>8,117</b>	(201)	(2.4)

# Solvency Margin Ratio of Sampo Holdings, Inc. on a Consolidated Basis (Unaudited)

## Consolidated Solvency Margin Ratio

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- The Company calculates the consolidated solvency margin ratio based on the provisions of Articles 210-11-3 and 210-11-4 of the Ordinance for Enforcement of the Insurance Business Act and Public Notice No. 23 of the Financial Service Agency (2011).
- 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) Consolidated Solvency Margin Ratio, which is calculated in accordance with the Insurance Business Act, etc. is the ratio of “solvency margin of insurance company group by means of its capital, reserves, etc.” ((A) Total Consolidated Solvency Margin) to “risks which will exceed its normal estimates” ((B) Total Consolidated Risks).
- Although treatment regarding scope of calculation of consolidated solvency margin ratio is same as the treatment of consolidated financial statements, subsidiaries under the Insurance Business Law with over 50 percent of voting right acquired by the Company are generally included in the calculation.
- 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.
- The consolidated solvency margin ratio of the Company for the current fiscal year increased 113.6 points from previous fiscal year to 862.5 percent.

**Sompo Holdings, Inc. (Consolidated)**  
**Consolidated Solvency Margin Ratio**

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
(A) Total Consolidated Solvency Margin	2,929,303	<b>3,345,721</b>
Capital and funds, etc.	581,789	<b>698,113</b>
Reserve for price fluctuation	74,200	<b>86,117</b>
Contingency reserve	30,154	<b>30,894</b>
Catastrophic loss reserve	577,363	<b>560,136</b>
General allowance for possible credit losses	2,785	<b>2,412</b>
Unrealized gains and losses on securities, deferred gains and losses on hedges (before tax effect deductions)	1,055,534	<b>1,129,750</b>
Unrealized gains and losses on land	29,657	<b>69,855</b>
Total of unrecognized actual difference and unrecognized prior service costs (before tax effect deductions)	(41,126)	<b>(4,473)</b>
Surplus such as premium fund	146,556	<b>164,592</b>
Subordinated debt, etc.	333,560	<b>433,560</b>
Excess amount of surplus such as premium fund and subordinated debt, etc. which are excluded from total solvency margin	—	<b>—</b>
Total solvency margin related to small amount and short term insurance companies	—	<b>—</b>
Deductions	47,666	<b>38,553</b>
Others	186,493	<b>213,315</b>
(B) Total Consolidated Risks	782,195	<b>775,746</b>
$\sqrt{(R_1^2+R_2^2+R_3+R_4)^2+(R_5+R_6+R_7)^2+R_8+R_9}$		
Underwriting risk for property and casualty insurance business (R <sub>1</sub> )	258,253	<b>250,523</b>
Underwriting risk for life insurance business (R <sub>2</sub> )	14,600	<b>14,256</b>
Underwriting risk for third-sector insurance products including accident, sickness and nursing-care insurance (R <sub>3</sub> )	8,725	<b>9,318</b>
Underwriting risk related to small amount and short term insurance companies (R <sub>4</sub> )	—	<b>—</b>
Guaranteed interest rate risk (R <sub>5</sub> )	29,114	<b>27,801</b>
Guaranteed minimum benefit risk for life insurance policies (R <sub>6</sub> )	374	<b>379</b>
Investment risk (R <sub>7</sub> )	512,555	<b>515,517</b>
Business management risk (R <sub>8</sub> )	20,006	<b>19,804</b>
Major catastrophe risk for property and casualty insurance policies (R <sub>9</sub> )	157,779	<b>153,168</b>
(C) Consolidated Solvency Margin Ratio	748.9%	<b>862.5%</b>
$[(A) / \{(B) \times 1/2\}] \times 100$		

Note) The above amounts and figures are calculated based on the provisions of Articles 210-11-3 and 210-11-4 of the Ordinance for Enforcement of the Insurance Business Act and Public Notice No. 23 of the Financial Service Agency (2011).

# Solvency Margin Ratios of Principal Consolidated Subsidiaries (Unaudited)

## Non-consolidated Solvency Margin Ratio

- Domestic insurance companies calculate the non-consolidated solvency margin ratio based on provision 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).
- 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 will exceed their normal estimates” ((B) Total Non-consolidated Risks).
- 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.
- Non-consolidated solvency margin ratios of the domestic insurance subsidiaries at the end of the current fiscal year are as follows.

### Sompo Japan Nipponkoa Insurance Inc. (Non-consolidated)

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
(A) Total Non-consolidated Solvency Margin	2,766,796	<b>3,078,246</b>
Capital and funds, etc.	535,486	<b>598,902</b>
Reserve for price fluctuation	68,706	<b>79,193</b>
Contingency reserve	611	<b>611</b>
Catastrophic loss reserve	572,867	<b>555,293</b>
General allowance for possible credit losses	226	<b>229</b>
Unrealized gains and losses on securities, deferred gains and losses on hedges (before tax effect deductions)	1,110,731	<b>1,184,429</b>
Unrealized gains and losses on land	52,912	<b>93,030</b>
Excess amount of reserve for maturity refunds	—	<b>—</b>
Subordinated debt, etc.	333,560	<b>433,560</b>
Excess amount of reserve for maturity refunds and subordinated debt, etc. which are excluded from total solvency margin	—	<b>—</b>
Deductions	71,649	<b>54,455</b>
Others	163,342	<b>187,451</b>
(B) Total Non-consolidated Risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	817,299	<b>837,472</b>
Underwriting risk (R <sub>1</sub> )	185,764	<b>187,079</b>
Underwriting risk for third-sector insurance products including accident, sickness and nursing-care insurance (R <sub>2</sub> )	—	<b>—</b>
Guaranteed interest rate risk (R <sub>3</sub> )	20,722	<b>19,350</b>
Investment risk (R <sub>4</sub> )	633,600	<b>646,159</b>
Business management risk (R <sub>5</sub> )	19,160	<b>19,583</b>
Major catastrophe risk (R <sub>6</sub> )	117,957	<b>126,585</b>
(C) Non-consolidated Solvency Margin Ratio [(A) / {(B) × 1/2}] × 100	677.0%	<b>735.1%</b>

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).



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

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
(A) Total Non-consolidated Solvency Margin	13,370	12,720
Capital and funds, etc.	8,854	7,893
Reserve for price fluctuation	40	44
Contingency reserve	11	11
Catastrophic loss reserve	3,960	4,306
General allowance for possible credit losses	—	—
Unrealized gains and losses on securities, deferred gains and losses on hedges (before tax effect deductions)	501	463
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	2	1
(B) Total Non-consolidated Risks	4,758	5,482
$\sqrt{(R_1+R_2)^2+(R_3+R_4)^2+R_5+R_6}$		
Underwriting risk (R <sub>1</sub> )	3,525	4,233
Underwriting risk for third-sector insurance products including accident, sickness and nursing-care insurance (R <sub>2</sub> )	—	—
Guaranteed interest rate risk (R <sub>3</sub> )	23	21
Investment risk (R <sub>4</sub> )	664	702
Business management risk (R <sub>5</sub> )	156	178
Major catastrophe risk (R <sub>6</sub> )	1,009	1,008
(C) Non-consolidated Solvency Margin Ratio [(A) / {(B) × 1/2}] × 100	562.0%	463.9%

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).

## Sonpo 24 Insurance Company Limited (Non-consolidated)

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
(A) Total Non-consolidated Solvency Margin	8,166	10,063
Capital and funds, etc.	7,576	9,562
Reserve for price fluctuation	41	20
Contingency reserve	—	—
Catastrophic loss reserve	535	480
General allowance for possible credit losses	—	—
Unrealized gains and losses on securities, deferred gains and losses on hedges (before tax effect deductions)	11	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	1,960	1,860
$\sqrt{(R_1+R_2)^2+(R_3+R_4)^2+R_5+R_6}$		
Underwriting risk (R <sub>1</sub> )	1,735	1,649
Underwriting risk for third-sector insurance products including accident, sickness and nursing-care insurance (R <sub>2</sub> )	—	—
Guaranteed interest rate risk (R <sub>3</sub> )	—	—
Investment risk (R <sub>4</sub> )	296	248
Business management risk (R <sub>5</sub> )	65	60
Major catastrophe risk (R <sub>6</sub> )	134	132
(C) Non-consolidated Solvency Margin Ratio [(A) / {(B) × 1/2}] × 100	833.0%	1,081.6%

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).

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

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
(A) Total Non-consolidated Solvency Margin	335,187	<b>340,108</b>
Capital, etc.	92,056	<b>96,207</b>
Reserve for price fluctuation	5,412	<b>6,838</b>
Contingency reserve	29,531	<b>30,270</b>
General allowance for possible credit losses	3	<b>3</b>
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	<b>47,188</b>
Unrealized gains and losses on land (85% of gain or 100% of loss)	—	<b>—</b>
Excess amount of continued Zillmerized reserve	146,556	<b>164,592</b>
Subordinated debt, etc.	—	<b>—</b>
Excess amount of continued Zillmerized reserve and subordinated debt, etc. which are excluded from total solvency margin	(19,159)	<b>(30,855)</b>
Brought in capital, etc.	—	<b>—</b>
Deductions	—	<b>—</b>
Others	23,148	<b>25,862</b>
(B) Total Non-consolidated Risks $\sqrt{(R_1+R_2)^2+(R_3+R_4+R_5)^2+R_6}$	42,616	<b>44,952</b>
Underwriting risk (R <sub>1</sub> )	13,620	<b>13,508</b>
Underwriting risk for third-sector insurance products including accident, sickness and nursing-care insurance (R <sub>2</sub> )	8,725	<b>9,318</b>
Guaranteed interest rate risk (R <sub>3</sub> )	8,369	<b>8,430</b>
Guaranteed minimum benefit risk (R <sub>4</sub> )	374	<b>379</b>
Investment risk (R <sub>5</sub> )	26,191	<b>28,512</b>
Business management risk (R <sub>6</sub> )	1,145	<b>1,202</b>
(C) Non-consolidated Solvency Margin Ratio $[(A) / \{(B) \times 1/2\}] \times 100$	1,573.0%	<b>1,513.1%</b>

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.

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