

SUMMARY OF FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2017

February 14, 2018

Name of Listed Company: **MS&AD Insurance Group Holdings, Inc.**
 Stock Exchange Listing: Tokyo Stock Exchange and Nagoya Stock Exchange
 Securities Code Number: 8725
 URL: <http://www.ms-ad-hd.com>
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Scheduled date to file the Quarterly Securities Report: February 14, 2018
 Scheduled date to commence dividend payments: -
 Explanatory material for business results: Available
 IR Conference (for institutional investors and analysts): To be held

(Note) Amounts of less than one million yen are truncated.

1. Consolidated Financial Highlights for the Nine Months Ended December 31, 2017 (April 1, 2017 to December 31, 2017)

(1) Consolidated business performance

(Yen in millions)

	Ordinary income		Ordinary profit		Net income attributable to owners of the parent	
Nine months ended December 31, 2017	4,145,753	1.9 %	161,731	(49.3) %	97,635	(53.4) %
Nine months ended December 31, 2016	4,069,259	9.1 %	318,850	21.7 %	209,655	22.8 %

Percent figures represent changes from the corresponding period of the preceding year.

(Note) Comprehensive income For the nine months ended December 31, 2017: ¥ 484,226 million 375.9 %
 For the nine months ended December 31, 2016: ¥ 101,742 million 122.0 %

(Yen)

	Net income attributable to owners of the parent per share - Basic	Net income attributable to owners of the parent per share - Diluted
Nine months ended December 31, 2017	164.80	164.76
Nine months ended December 31, 2016	348.77	348.74

(2) Consolidated financial conditions

(Yen in millions)

	Total assets	Net assets	Ratio of net assets less non-controlling interests to total assets
December 31, 2017	22,863,259	3,138,947	13.6 %
March 31, 2017	21,234,300	2,734,432	12.8 %

(Reference) Net assets less non-controlling interests As of December 31, 2017: ¥ 3,111,231 million
 As of March 31, 2017: ¥ 2,708,978 million

2. Dividends

(Yen)

	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual total
Year ended March 31, 2017	-	50.00	-	70.00	120.00
Year ending March 31, 2018	-	65.00	-		
Year ending March 31, 2018 (Forecast)				65.00	130.00

(Note) Revision of the latest announced dividends per share forecast: None

3. Consolidated Earnings Forecasts for the Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(Yen in millions)

	Ordinary profit		Net income attributable to owners of the parent		Net income attributable to owners of the parent per share (Yen)
Year ending March 31, 2018	238,000	(32.5) %	145,000	(31.1) %	244.82

Percent figures represent changes from the preceding year.

(Note) Revision of the latest announced earnings forecasts: None

*** Notes**

(1) Changes in significant subsidiaries for the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Increase 0

Decrease 2 (Solo Absolute Bonds and Currency Fund, Amlin Bermuda Holdings, Ltd.)

(2) Adoption of special accounting methods allowed to be applied to quarterly consolidated financial statements: Yes

(Note) For details, please refer to "Adoption of Special Accounting Methods Allowed to be Applied to Quarterly Consolidated Financial Statements" on page 6 of the Appendix.

(3) Changes in accounting policies and accounting estimates and restatements

1. Changes in accounting policies due to revisions of accounting standards: None

2. Changes in accounting policies other than above: None

3. Changes in accounting estimates: None

4. Restatements: None

(4) Number of shares of issued stock (common stock)

1. Number of shares of issued stock (including treasury stock)

As of December 31, 2017: 593,291,754 shares

As of March 31, 2017: 633,291,754 shares

2. Number of shares of treasury stock

As of December 31, 2017: 876,388 shares

As of March 31, 2017: 40,884,055 shares

3. Average number of shares of outstanding stock

For the nine months ended December 31, 2017: 592,420,410 shares

For the nine months ended December 31, 2016: 601,117,174 shares

*** This report is outside the scope of the external auditor's quarterly review.**

*** Notes to the earnings forecasts**

Any earnings forecasts in this report have been made based on the information available to the Company as of the disclosure date of the report and certain assumptions, and therefore do not guarantee future performance. Actual results may differ substantially from these forecasts depending on various factors. The forecast of consolidated ordinary income for the current fiscal year is not disclosed due to difficulties in calculating reasonable forecast figures stemming from a high susceptibility to natural disasters and market conditions.

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1. Qualitative Information on Business Results

(1) Explanation for Business Performance

During the nine months ended December 31, 2017, the global economy has been on a gradual recovery trend with a continuing recovery in the US and Europe. Asian economy also showed the bright sign for a recovery.

Japanese economy also moderately recovered with an improvement in corporate earnings and a turning the corner in consumer spending.

However, the non-life insurance industry in Japan was significantly affected by natural disasters including the typhoons in Japan and the hurricanes in North America.

Under these conditions, the business performance of the Group for the nine months ended December 31, 2017 was as follows.

Underwriting income was ¥3,500.8 billion (of which net premiums written were ¥2,623.9 billion), investment income was ¥631.8 billion and other ordinary income was ¥13.0 billion, resulting in total ordinary income of ¥4,145.7 billion. Ordinary expenses amounted to ¥3,984.0 billion. This breaks down into underwriting expenses of ¥3,462.3 billion (of which net claims paid were ¥1,398.8 billion), investment expenses of ¥23.8 billion, operating expenses and general and administrative expenses of ¥485.7 billion and other ordinary expenses of ¥12.1 billion.

As a result, the Company posted an ordinary profit of ¥161.7 billion, marking a decrease of ¥157.1 billion from the same period last year. After factoring in extraordinary income and losses, income taxes and other factors, net income attributable to owners of the parent of ¥97.6 billion was reported with a decrease of ¥112.0 billion year on year.

(2) Explanation for Financial Conditions

As of December 31, 2017, total assets stood at ¥22,863.2 billion with an increase of ¥1,628.9 billion from March 31, 2017. Investments in securities stood at ¥16,389.8 billion with an increase of ¥1,086.7 billion from March 31, 2017.

(3) Explanation for Future Forecast Information including Consolidated Earnings Forecasts

The Company keeps the previously announced forecasts of ordinary profit of ¥238.0 billion and net income attributable to owners of the parent of ¥145.0 billion on a consolidated basis for the year ending March 31, 2018 unchanged.

2. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Yen in millions)

	March 31, 2017	December 31, 2017
Assets		
Cash, deposits and savings	1,419,267	1,600,425
Call loans	15,000	-
Receivables under resale agreements	6,999	6,999
Receivables under securities borrowing transactions	285,455	268,786
Monetary claims bought	111,320	126,371
Money trusts	971,119	1,105,313
Investments in securities	15,303,103	16,389,865
Loans	886,316	902,648
Tangible fixed assets	464,955	454,610
Intangible fixed assets	417,156	546,292
Other assets	1,225,719	1,321,148
Assets for retirement benefits	32,452	31,343
Deferred tax assets	55,660	67,337
Customers' liabilities under acceptances and guarantees	50,530	51,500
Bad debt reserve	(10,756)	(9,383)
Total assets	21,234,300	22,863,259
Liabilities		
Policy liabilities:	16,156,153	17,193,194
Outstanding claims	1,982,354	2,232,437
Underwriting reserves	14,173,799	14,960,757
Bonds issued	456,191	558,191
Other liabilities	1,226,769	1,189,163
Liabilities for pension and retirement benefits	190,562	190,414
Reserve for retirement benefits for officers	640	526
Accrued bonuses for employees	28,396	7,483
Reserve for reorganization by function	22,097	18,115
Reserves under the special laws:	194,960	207,163
Reserve for price fluctuation	194,960	207,163
Deferred tax liabilities	173,566	308,558
Acceptances and guarantees	50,530	51,500
Total liabilities	18,499,867	19,724,311
Net assets		
Shareholders' equity:		
Common stock	100,000	100,000
Capital surplus	669,458	551,757
Retained earnings	775,877	793,536
Treasury stock	(120,050)	(2,583)
Total shareholders' equity	1,425,285	1,442,710
Accumulated other comprehensive income:		
Net unrealized gains/(losses) on investments in securities	1,360,859	1,720,544
Net deferred gains/(losses) on hedges	23,472	21,554
Foreign currency translation adjustments	(91,219)	(70,334)
Accumulated actuarial gains/(losses) on retirement benefits	(9,420)	(3,242)
Total accumulated other comprehensive income	1,283,692	1,668,521
Stock acquisition rights	307	566
Non-controlling interests	25,147	27,149
Total net assets	2,734,432	3,138,947
Total liabilities and net assets	21,234,300	22,863,259

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)

(Yen in millions)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Ordinary income:	4,069,259	4,145,753
Underwriting income:	3,665,530	3,500,860
Net premiums written	2,608,957	2,623,955
Deposit premiums from policyholders	79,361	68,815
Investment income on deposit premiums from policyholders	36,353	32,631
Life insurance premiums	935,551	758,351
Investment income:	393,507	631,848
Interest and dividends income	208,625	224,189
Investment gains on money trusts	10,869	64,331
Investment gains on trading securities	40,739	20,382
Gains on sales of securities	68,915	97,179
Investment gains on separate accounts	73,415	201,324
Transfer of investment income on deposit premiums from policyholders	(36,353)	(32,631)
Other ordinary income	10,221	13,044
Ordinary expenses:	3,750,408	3,984,021
Underwriting expenses:	3,208,361	3,462,382
Net claims paid	1,347,843	1,398,856
Loss adjustment expenses	123,937	125,395
Commissions and collection expenses	510,947	516,375
Maturity refunds to policyholders	181,211	181,810
Life insurance claims	244,930	273,086
Provision for outstanding claims	67,126	197,979
Provision for underwriting reserves	706,505	764,757
Investment expenses:	52,066	23,816
Investment losses on money trusts	13,298	-
Losses on sales of securities	6,938	5,451
Impairment losses on securities	1,589	1,376
Losses on derivative transactions	25,390	14,520
Operating expenses and general and administrative expenses	478,403	485,712
Other ordinary expenses:	11,577	12,109
Interest expense	6,573	6,615
Ordinary profit	<u>318,850</u>	<u>161,731</u>
Extraordinary income:	1,695	7,780
Gains on sales of fixed assets	1,695	7,780
Extraordinary losses:	35,101	16,947
Losses on sales of fixed assets	933	2,924
Impairment losses on fixed assets	2,187	1,808
Provision for reserves under the special laws:	6,335	12,202
Provision for reserve for price fluctuation	6,335	12,202
Losses on reduction of tangible fixed assets	-	11
Other extraordinary losses	<u>25,646</u>	<u>-</u>
Income before income taxes	<u>285,444</u>	<u>152,565</u>
Income taxes	74,618	53,877
Net income	<u>210,826</u>	<u>98,687</u>
Net income attributable to non-controlling interests	<u>1,170</u>	<u>1,052</u>
Net income attributable to owners of the parent	<u>209,655</u>	<u>97,635</u>

(Consolidated Statements of Comprehensive Income)

(Yen in millions)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net income	210,826	98,687
Other comprehensive income:		
Net unrealized gains/(losses) on investments in securities	122,899	356,689
Net deferred gains/(losses) on hedges	(11,849)	(1,792)
Foreign currency translation adjustments	(219,179)	21,904
Accumulated actuarial gains/(losses) on retirement benefits	2,059	6,176
Share of other comprehensive income of equity method investments	(3,013)	2,561
Total other comprehensive income	<u>(109,083)</u>	<u>385,538</u>
Total comprehensive income	<u>101,742</u>	<u>484,226</u>
Allocation:		
Comprehensive income attributable to owners of the parent	103,907	482,464
Comprehensive income attributable to non-controlling interests	(2,164)	1,762

(3) Notes to Consolidated Financial Statements

(Notes to Going Concern Assumptions)

Not applicable.

(Notes to Significant Changes in Shareholders' Equity)

Cancellation of treasury stock

On June 30, 2017, the Company cancelled its treasury stock in accordance with the resolution approved at the Board Meeting held on May 19, 2017. As a result, the balances of capital surplus and treasury stock as of December 31, 2017 were ¥551,757 million and ¥2,583 million respectively, with decreases of ¥117,455 million for the nine months ended December 31, 2017.

(Adoption of Special Accounting Methods Allowed to be Applied to Quarterly Consolidated Financial Statements)

(Calculation of income tax expenses)

The domestic consolidated companies calculate their income tax expenses primarily by multiplying income before income taxes by the effective income tax rate, after adding or deducting the permanent difference if this amount is significant.

Explanatory Material for Business Results

1. Summary of Consolidated Business Results

(1) Consolidated Business Performance

(Yen in 100 millions)

	Items	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Change	Change ratio
Ordinary income and expenses:					
Underwriting income:	1	36,651	35,051	(1,600)	(4.4) %
Net premiums written	2	26,086	26,282	196	0.8
Deposit premiums from policyholders	3	793	688	(105)	(13.3)
Life insurance premiums	4	9,355	7,583	(1,771)	(18.9)
Underwriting expenses:	5	32,080	34,666	2,586	8.1
Net claims paid	6	13,478	13,988	510	3.8
Loss adjustment expenses	7	1,239	1,253	14	1.2
Commissions and collection expenses	8	5,109	5,163	54	1.1
Maturity refunds to policyholders	9	1,812	1,818	5	0.3
Life insurance claims	10	2,449	2,730	281	11.5
Provision for outstanding claims	11	671	1,979	1,308	194.9
Provision for underwriting reserves	12	7,061	7,690	628	8.9
Investment income:	13	3,935	6,318	2,383	60.6
Interest and dividends income	14	2,086	2,241	155	7.5
Investment gains on money trusts	15	108	643	534	491.8
Gains on sales of securities	16	689	971	282	41.0
Investment gains on separate accounts	17	734	2,013	1,279	174.2
Investment expenses:	18	520	238	(282)	(54.3)
Investment losses on money trusts	19	132	-	(132)	(100.0)
Losses on sales of securities	20	69	54	(14)	(21.4)
Impairment losses on securities	21	15	13	(2)	(13.4)
Operating expenses and general and administrative expenses	22	4,784	4,857	73	1.5
Other ordinary income and expenses:	23	(13)	9	22	-
Gains/(losses) on equity method investments	24	8	16	7	90.1
Ordinary profit	25	3,188	1,617	(1,571)	(49.3)
Extraordinary income and losses:					
Extraordinary income	26	16	77	60	358.9
Extraordinary losses	27	351	169	(181)	(51.7)
Extraordinary income/(losses)	28	(334)	(91)	242	-
Income before income taxes	29	2,854	1,525	(1,328)	(46.6)
Income taxes	30	746	538	(207)	(27.8)
Net income	31	2,108	986	(1,121)	(53.2)
Net income attributable to non-controlling interests	32	11	10	(1)	(10.1)
Net income attributable to owners of the parent	33	2,096	976	(1,120)	(53.4)

(Notes) 1. The figures in the above table are presented exclusive of Good Result Return premiums of Mitsui Sumitomo Insurance's proprietary automobile insurance product "ModoRich", which contains a special clause related to premium adjustment and refund at maturity.

2. Extraordinary losses for the nine months ended December 31, 2016 include system-related costs that were recognized by the reorganization by function at domestic insurance consolidated subsidiaries under the umbrella of the Company in the amount of ¥21.4 billion.

(2) Breakdown of Results by Company (Net Premiums Written, Ordinary Profit and Net Income Attributable to Owners of the Parent)

(Yen in 100 millions)

	Items	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Change	Change ratio
Net premiums written ^(Note 1)	1	26,086	26,282	196	0.8
Mitsui Sumitomo Insurance ^(Note 1)	2	11,043	11,280	236	2.1
Aioi Nissay Dowa Insurance	3	9,051	9,254	203	2.2
Mitsui Direct General Insurance	4	274	275	0	0.3
Overseas insurance subsidiaries	5	5,672	5,437	(235)	(4.2)
Ordinary profit	6	3,188	1,617	(1,571)	(49.3)
Mitsui Sumitomo Insurance	7	1,689	1,950	260	15.4
Aioi Nissay Dowa Insurance	8	800	288	(512)	(64.0)
Net income attributable to owners of the parent	9	2,096	976	(1,120)	(53.4)
Mitsui Sumitomo Insurance	10	1,251	1,501	250	20.0
Aioi Nissay Dowa Insurance	11	563	190	(372)	(66.1)
Mitsui Direct General Insurance	12	(0)	10	10	-
Mitsui Sumitomo Aioi Life Insurance	13	61	61	0	0.1
Mitsui Sumitomo Primary Life Insurance	14	338	253	(85)	(25.2)
Overseas insurance subsidiaries	15	284	(729)	(1,013)	(356.9)
Others, consolidation adjustments, etc.	16	(401)	(311)	90	-

(Notes) 1. The figures in the above table are presented exclusive of Good Result Return premiums of Mitsui Sumitomo Insurance's proprietary automobile insurance product "ModoRich", which contains a special clause related to premium adjustment and refund at maturity.

2. Items 10 to 15 represent the net income or loss on a non-consolidated basis after taking into account the Company's ownership interests in its subsidiaries.

(3) Breakdown of Results of Overseas Insurance Subsidiaries

(Yen in 100 millions)

	Items	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Change	Change ratio
Net premiums written	1	5,672	5,437	(235)	(4.2)
Asia	2	1,167	1,217	49	4.3
Europe:	3	4,165	3,843	(321)	(7.7)
MS Amlin ^(Note)	4	3,870	3,520	(350)	(9.1)
Americas	5	339	375	36	10.7
Net income/(loss) attributable to owners of the parent	6	284	(729)	(1,013)	(356.9)
Asia	7	113	129	15	13.3
Europe:	8	150	(885)	(1,035)	(689.3)
MS Amlin ^(Note)	9	186	(849)	(1,035)	(556.0)
Americas	10	19	26	6	31.2

(Note) The figures of "MS Amlin" for the nine months ended December 31, 2016 include the results of the other subsidiaries which were integrated into MS Amlin, due to the reorganization of Lloyd's and reinsurance business occurred on December 31, 2016.

(4) Summary of Results of Domestic Life Insurance Business

(Yen in 100 millions)

	Items	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Change	Change ratio	Year ended March 31, 2017
Amount of new policies						
Mitsui Sumitomo Aioi Life Insurance	1	16,051	20,747	4,696	29.3 %	23,771
Mitsui Sumitomo Primary Life Insurance	2	7,591	7,581	(10)	(0.1) %	10,322
Amount of policies in force						
Mitsui Sumitomo Aioi Life Insurance	3	228,758	237,137	4,994	2.2 %	232,142
Mitsui Sumitomo Primary Life Insurance	4	54,888	62,470	5,662	10.0 %	56,807
Annualized premiums for policies in force						
Mitsui Sumitomo Aioi Life Insurance	5	3,897	4,097	87	2.2 %	4,010
Mitsui Sumitomo Primary Life Insurance	6	5,061	5,217	(104)	(2.0) %	5,321

(Notes) 1. The figures in the above table represent the total sum of individual insurance and individual annuities.

2. “Changes” and “Change ratio” make comparisons with the nine months ended December 31, 2016 for items 1 and 2 and the year ended March 31, 2017 for items 3 to 6.

(5) Natural Catastrophe Incurred Losses occurred outside Japan included in Consolidated Business Results for the Nine Months Ended December 31, 2017

(Yen in 100 millions)

	Nine months ended December 31, 2017
Hurricanes in North America (Harvey, Irma and Maria)	849
California wildfire occurred in October and December	336
Others	90
Total	1,277

2. Non-Consolidated Business Results of Mitsui Sumitomo Insurance Co., Ltd.

The figures in the tables below are presented exclusive of Good Result Return premiums of Mitsui Sumitomo Insurance's proprietary automobile insurance product "ModoRich", which contains a special clause related to premium adjustment and refund at maturity.

(1) Business Performance

(Yen in 100 millions)

	Items	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Change	Change ratio
					%
(+)	Net premiums written	11,043	11,280	236	2.1
(-)	Net claims paid	5,963	6,053	90	1.5
(-)	Loss adjustment expenses	643	648	4	0.7
(-)	Commissions and collection expenses	1,887	1,948	60	3.2
(-)	Operating expenses and general and administrative expenses for underwriting	1,492	1,526	33	2.3
	Underwriting profit before movements in reserves	1,055	1,102	47	4.5
(-)	Movement in outstanding claims	193	238	45	23.3
(-)	Movement in ordinary underwriting reserves	(126)	8	134	-
(-)	Movement in catastrophe reserve	350	308	(41)	(11.8)
(+)	Other	37	34	(2)	(7.7)
	Underwriting profit	675	581	(93)	(13.9)
(+)	Interest and dividends income	841	889	48	5.7
(-)	Transfer of investment income on deposit premiums from policyholders	278	252	(25)	(9.2)
	Net interest and dividends income (item 12 - item 13)	562	636	73	13.1
(+)	Gains/(losses) on sales of securities	526	772	246	46.8
(-)	Impairment losses on securities	0	9	8	903.0
(+)	Other	(44)	3	48	-
	Investment profit	1,043	1,402	359	34.5
(+)	Other ordinary profit/(loss)	(29)	(34)	(4)	-
	Ordinary profit	1,689	1,950	260	15.4
(+)	Extraordinary income/(losses):	(36)	21	57	-
	Gains/(losses) on reserve for price fluctuation	(27)	(29)	(2)	-
	Income before income taxes	1,653	1,972	318	19.3
(-)	Income taxes	401	470	68	17.1
	Net income	1,251	1,501	250	20.0

Ratios	Net loss ratio	26	59.8 %	59.4 %	(0.4) %	/
	Net expense ratio	27	30.6 %	30.8 %	0.2 %	
	Combined ratio	28	90.4 %	90.2 %	(0.2) %	

- (Notes) 1. Net loss ratio = (net claims paid + loss adjustment expenses) / net premiums written x 100
2. Net expense ratio = (commissions and collection expenses + operating expenses and general and administrative expenses for underwriting) / net premiums written x 100
3. Combined ratio = net loss ratio + net expense ratio

(Reference) Business performance excluding residential earthquake insurance and CALI*

	Net premiums written	29	9,651	9,857	205	2.1
Ratios	Net loss ratio	30	56.0 %	56.6 %	0.6 %	/
	Net expense ratio	31	32.5 %	32.7 %	0.2 %	
	Combined ratio	32	88.5 %	89.3 %	0.8 %	

* CALI stands for compulsory automobile liability insurance, and the same hereinafter.

(2) Premiums written

(Yen in 100 millions)

	Net premiums written				Direct premiums written (excluding deposit premiums from policyholders)			
	Nine months ended December 31, 2016		Nine months ended December 31, 2017		Nine months ended December 31, 2016		Nine months ended December 31, 2017	
	Amount	Change ratio %	Amount	Change ratio %	Amount	Change ratio %	Amount	Change ratio %
Fire and allied	1,366	(29.6)	1,474	7.9	1,966	(23.2)	2,068	5.2
Marine	444	(13.5)	450	1.3	604	(15.6)	608	0.6
Personal accident	1,058	1.7	1,087	2.7	1,134	3.1	1,164	2.6
Voluntary automobile	4,921	1.4	4,964	0.9	4,953	1.5	4,995	0.8
CALI	1,385	(2.3)	1,418	2.4	1,311	1.0	1,267	(3.4)
Other	1,866	10.2	1,884	1.0	2,137	10.1	2,209	3.4
Total	11,043	(3.7)	11,280	2.1	12,109	(3.1)	12,312	1.7

(3) Net claims paid

(Yen in 100 millions)

	Nine months ended December 31, 2016			Nine months ended December 31, 2017			
	Amount	Change ratio %	Net loss ratio %	Amount	Change ratio %	Net loss ratio %	Change %
Fire and allied	973	(0.6)	73.5	920	(5.4)	64.7	(8.8)
Marine	259	5.7	61.5	244	(5.9)	57.1	(4.4)
Personal accident	534	(4.8)	55.2	520	(2.6)	52.8	(2.4)
Voluntary automobile	2,368	(1.9)	56.3	2,477	4.6	58.0	1.7
CALI	1,043	1.0	82.8	1,026	(1.6)	79.4	(3.4)
Other	783	9.8	44.3	863	10.2	48.3	4.0
Total	5,963	0.3	59.8	6,053	1.5	59.4	(0.4)

(Note) Net loss ratio = (net claims paid + loss adjustment expenses) / net premiums written x 100

(Reference) Incurred losses caused by natural disasters in Japan

(Yen in 100 millions)

	Nine months ended December 31, 2016			Nine months ended December 31, 2017		
	Incurred losses	Net claims paid	Outstanding claims	Incurred losses	Net claims paid	Outstanding claims
Fire and allied	295	180	114	323	201	121
Voluntary automobile	12	12	0	29	27	1
Other	21	9	11	29	9	20
Total	329	202	126	382	238	143

(Note) The above table describes losses caused by natural disasters in Japan, which exclude residential earthquake insurance, incurred during the respective period.

The figures for the nine months ended December 31, 2016 include incurred losses related to the Kumamoto earthquakes, which exclude residential earthquake insurance, as follows:

Incurred losses ¥9.6 billion, Net claims paid ¥4.9 billion and Outstanding claims ¥4.6 billion.

(4) Expenses

<Company expenses>

(Yen in 100 millions)

	Items	Nine months ended December 31, 2016			Nine months ended December 31, 2017		
		Amount	Change	Change ratio %	Amount	Change	Change ratio %
Personnel expenses	1	1,263	24	2.0	1,280	17	1.4
Non-personnel expenses	2	860	20	2.5	887	26	3.1
Taxes and contributions	3	93	(1)	(1.4)	93	0	0.3
Total	4	2,217	44	2.0	2,261	44	2.0

(Note) Total = loss adjustment expenses + operating expenses and general and administrative expenses

<Expenses for underwriting>

(Yen in 100 millions)

	Items	Nine months ended December 31, 2016			Nine months ended December 31, 2017		
		Amount	Change	Change ratio %	Amount	Change	Change ratio %
Operating expenses and general and administrative expenses	5	1,492	19	1.3	1,526	33	2.3
Commissions and collection expenses	6	1,887	(125)	(6.2)	1,948	60	3.2
Total	7	3,380	(105)	(3.0)	3,474	94	2.8
Net expense ratio	8	30.6 %	0.2 %		30.8 %	0.2 %	

(5) Catastrophe reserve

(Yen in 100 millions)

	March 31, 2017		December 31, 2017			
	Balance	Reserve ratio	Reversal	Provision	Balance	Reserve ratio
		%				%
Fire and allied	1,460	79.7	77	74	1,456	74.3
Marine	781	133.2	-	20	802	133.7
Personal accident	677	47.2	-	34	711	49.0
Voluntary automobile	589	9.0	-	159	748	11.3
Other	1,780	73.4	5	103	1,878	74.8
Total	5,288	41.3	82	391	5,597	42.6

(Note) Reserve ratio = catastrophe reserve / net premiums written (excluding premiums of residential earthquake insurance and CALI and Good Result Return premiums of the automobile insurance product "ModoRich") x 100
Reserve ratio for December 31, 2017 is calculated on an annualized basis using net premiums written multiplied by four thirds as a denominator.

(6) Investment assets

(Yen in 100 millions)

	March 31, 2017	December 31, 2017	
			Change
Cash, deposits and savings	4,198	4,628	429
Investments in securities:	52,946	57,847	4,900
Domestic bonds	18,479	18,198	(281)
Domestic stocks	18,068	20,730	2,661
Foreign securities	16,048	18,553	2,504
Other securities	349	365	15
Loans	4,181	3,926	(254)
Land and buildings	2,000	1,945	(55)
Total	63,327	68,347	5,020

(Reference)

Long-term investment assets	12,959	12,333	(626)
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(7) Breakdown of interest and dividends income

(Yen in 100 millions)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017	
			Change
Investments in securities:	746	802	56
Domestic bonds	146	142	(4)
Domestic stocks	419	420	1
Foreign securities	164	208	44
Other securities	14	30	15
Loans	38	30	(7)
Land and buildings	47	48	1
Other	9	8	(1)
Total	841	889	48

(8) Investments in securities**Unrealized gains and losses on investments in securities**

(Yen in 100 millions)

December 31, 2017	Cost	Fair value	Difference	Change from
				March 31, 2017
Domestic bonds	16,700	18,198	1,497	(51)
Domestic stocks	6,055	20,395	14,340	3,061
Foreign securities	5,135	5,345	210	132
Other securities	255	281	25	(9)
Total	28,146	44,221	16,074	3,133

(Yen in 100 millions)

March 31, 2017	Cost	Fair value	Difference
Domestic bonds	16,930	18,479	1,548
Domestic stocks	6,437	17,716	11,278
Foreign securities	4,468	4,546	78
Other securities	309	343	34
Total	28,145	41,086	12,940

(Notes) 1. The above tables describe available-for-sale securities with practically determinable fair value.

2. "Other securities" includes loan receivable trust beneficiary certificates and commercial papers included in Monetary claims bought on the balance sheets.

Gains and losses on sales of securities

(Yen in 100 millions)

	Nine months ended December 31, 2016 Gains/(losses)	Nine months ended December 31, 2017		
		Gains/(losses)	Gains	Losses
Domestic bonds	3	2	3	1
Domestic stocks	523	688	690	2
Foreign securities	(0)	82	105	23
Other securities	-	-	-	-
Total	526	772	800	27

Impairment losses on securities

(Yen in 100 millions)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017	
			Change
Domestic bonds	-	-	-
Domestic stocks	0	0	0
Foreign securities	0	5	4
Other securities	-	4	4
Total	0	9	8

3. Non-Consolidated Business Results of Aioi Nissay Dowa Insurance Co., Ltd.

(1) Business Performance

(Yen in 100 millions)

	Items	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Change	Change ratio %
(+)	Net premiums written	9,051	9,254	203	2.2
(-)	Net claims paid	4,867	4,842	(24)	(0.5)
(-)	Loss adjustment expenses	451	461	10	2.2
(-)	Commissions and collection expenses	1,691	1,783	91	5.4
(-)	Operating expenses and general and administrative expenses for underwriting	1,302	1,258	(44)	(3.4)
	Underwriting profit before movements in reserves	738	908	170	23.1
(-)	Movement in outstanding claims	(8)	569	577	-
(-)	Movement in ordinary underwriting reserves	(8)	171	179	-
(-)	Movement in catastrophe reserve	309	300	(8)	(2.8)
(+)	Other	26	63	37	138.3
	Underwriting profit/(loss)	471	(68)	(540)	(114.5)
(+)	Interest and dividends income	428	454	26	6.3
(-)	Transfer of investment income on deposit premiums from policyholders	140	126	(14)	(10.5)
	Net interest and dividends income (item 12 - item 13)	287	328	41	14.5
(+)	Gains/(losses) on sales of securities	86	80	(5)	(6.5)
(-)	Impairment losses on securities	12	0	(12)	(94.6)
(+)	Other	(64)	(72)	(7)	-
	Investment profit	296	336	40	13.7
(+)	Other ordinary profit/(loss)	32	20	(12)	(38.1)
	Ordinary profit	800	288	(512)	(64.0)
(+)	Extraordinary income/(losses):	(60)	(55)	4	-
	Gains/(losses) on reserve for price fluctuation	(12)	(13)	(0)	-
	Income before income taxes	740	232	(507)	(68.6)
(-)	Income taxes	177	41	(135)	(76.4)
	Net income	563	190	(372)	(66.1)

Ratios	Net loss ratio	26	58.8 %	57.3 %	(1.5) %
	Net expense ratio	27	33.1 %	32.9 %	(0.2) %
	Combined ratio	28	91.9 %	90.2 %	(1.7) %

- (Notes) 1. Net loss ratio = (net claims paid + loss adjustment expenses) / net premiums written x 100
2. Net expense ratio = (commissions and collection expenses + operating expenses and general and administrative expenses for underwriting) / net premiums written x 100
3. Combined ratio = net loss ratio + net expense ratio

(Reference) Business performance excluding residential earthquake insurance and CALI

	Net premiums written	29	7,794	7,967	173	2.2
Ratios	Net loss ratio	30	54.7 %	54.3 %	(0.4) %	
	Net expense ratio	31	34.7 %	34.5 %	(0.2) %	
	Combined ratio	32	89.4 %	88.8 %	(0.6) %	

(2) Premiums written

(Yen in 100 millions)

	Net premiums written				Direct premiums written (excluding deposit premiums from policyholders)			
	Nine months ended December 31, 2016		Nine months ended December 31, 2017		Nine months ended December 31, 2016		Nine months ended December 31, 2017	
	Amount	Change ratio %	Amount	Change ratio %	Amount	Change ratio %	Amount	Change ratio %
Fire and allied	1,126	(11.8)	1,323	17.5	1,417	(22.4)	1,497	5.7
Marine	40	(8.2)	57	42.4	(0)	-	(0)	-
Personal accident	471	(3.9)	470	(0.2)	499	(2.7)	498	(0.3)
Voluntary automobile	5,123	1.4	5,151	0.5	4,981	0.4	4,978	(0.1)
CALI	1,252	(3.6)	1,283	2.5	1,388	(0.4)	1,328	(4.3)
Other	1,036	20.1	968	(6.6)	1,079	9.2	1,102	2.1
Total	9,051	0.3	9,254	2.2	9,366	(3.3)	9,405	0.4

(3) Net claims paid

(Yen in 100 millions)

	Nine months ended December 31, 2016			Nine months ended December 31, 2017			
	Amount	Change ratio %	Net loss ratio %	Amount	Change ratio %	Net loss ratio %	Change %
Fire and allied	630	(1.0)	58.0	679	7.6	53.6	(4.4)
Marine	19	1.2	49.7	26	30.9	45.8	(3.9)
Personal accident	203	(11.8)	47.4	200	(1.4)	46.9	(0.5)
Voluntary automobile	2,562	(2.4)	55.8	2,622	2.3	56.7	0.9
CALI	926	(1.0)	81.0	894	(3.5)	76.3	(4.7)
Other	524	27.4	53.0	419	(19.9)	46.2	(6.8)
Total	4,867	0.1	58.8	4,842	(0.5)	57.3	(1.5)

(Note) Net loss ratio = (net claims paid + loss adjustment expenses) / net premiums written x 100

(Reference) Incurred losses caused by natural disasters in Japan

(Yen in 100 millions)

	Nine months ended December 31, 2016			Nine months ended December 31, 2017		
	Incurred losses	Net claims paid	Outstanding claims	Incurred losses	Net claims paid	Outstanding claims
Fire and allied	141	103	37	239	132	107
Voluntary automobile	12	12	0	24	22	1
Other	8	4	3	13	4	9
Total	162	120	41	277	159	118

(Note) The above table describes losses caused by natural disasters in Japan, which exclude residential earthquake insurance, incurred during the respective period.

The figures for the nine months ended December 31, 2016 include incurred losses related to the Kumamoto earthquakes, which exclude residential earthquake insurance, as follows:

Incurred losses ¥3.7 billion, Net claims paid ¥1.9 billion and Outstanding claims ¥1.8 billion.

(4) Expenses

<Company expenses>

(Yen in 100 millions)

	Items	Nine months ended December 31, 2016			Nine months ended December 31, 2017		
		Amount	Change	Change ratio %	Amount	Change	Change ratio %
Personnel expenses	1	929	(24)	(2.6)	963	34	3.7
Non-personnel expenses	2	803	(50)	(6.0)	749	(53)	(6.7)
Taxes and contributions	3	83	(1)	(1.6)	82	(0)	(0.4)
Total	4	1,816	(77)	(4.1)	1,796	(19)	(1.1)

(Note) Total = loss adjustment expenses + operating expenses and general and administrative expenses

<Expenses for underwriting>

(Yen in 100 millions)

	Items	Nine months ended December 31, 2016			Nine months ended December 31, 2017		
		Amount	Change	Change ratio %	Amount	Change	Change ratio %
Operating expenses and general and administrative expenses	5	1,302	(75)	(5.5)	1,258	(44)	(3.4)
Commissions and collection expenses	6	1,691	(6)	(0.4)	1,783	91	5.4
Total	7	2,994	(81)	(2.6)	3,041	47	1.6
Net expense ratio	8	33.1 %	(1.0) %		32.9 %	(0.2) %	

(5) Catastrophe reserve

(Yen in 100 millions)

	March 31, 2017		December 31, 2017			
	Balance	Reserve ratio	Reversal	Provision	Balance	Reserve ratio
		%				%
Fire and allied	1,265	83.0	-	107	1,373	78.0
Marine	139	254.7	-	0	140	183.7
Personal accident	651	106.1	-	14	666	106.2
Voluntary automobile	438	6.5	31	164	572	8.3
Other	641	48.8	4	48	685	53.1
Total	3,136	30.4	35	336	3,437	32.4

(Note) Reserve ratio = catastrophe reserve / net premiums written (excluding premiums of residential earthquake insurance and CALI) x 100
Reserve ratio for December 31, 2017 is calculated on an annualized basis using net premiums written multiplied by four thirds as a denominator.

(6) Investment assets

(Yen in 100 millions)

	March 31, 2017	December 31, 2017	
			Change
Cash, deposits and savings	1,898	1,243	(654)
Investments in securities:	25,770	27,796	2,025
Domestic bonds	9,707	9,595	(112)
Domestic stocks	8,433	9,878	1,445
Foreign securities	7,070	7,619	549
Other securities	558	701	142
Loans	2,109	2,001	(108)
Land and buildings	1,634	1,573	(60)
Total	31,412	32,614	1,201

(Reference)

Long-term investment assets	4,530	4,299	(231)
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(7) Breakdown of interest and dividends income

(Yen in 100 millions)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017	
			Change
Investments in securities:	370	396	25
Domestic bonds	74	74	0
Domestic stocks	169	181	11
Foreign securities	109	124	15
Other securities	17	15	(1)
Loans	20	17	(2)
Land and buildings	33	34	0
Other	3	6	3
Total	428	454	26

(8) Investments in securities

Unrealized gains and losses on investments in securities

(Yen in 100 millions)

December 31, 2017	Cost	Fair value	Difference	Change from
				March 31, 2017
Domestic bonds	8,965	9,595	630	(18)
Domestic stocks	4,186	9,609	5,423	1,509
Foreign securities	6,083	6,610	526	93
Other securities	554	644	90	33
Total	19,790	26,461	6,670	1,618

(Yen in 100 millions)

March 31, 2017	Cost	Fair value	Difference
Domestic bonds	9,059	9,707	648
Domestic stocks	4,252	8,165	3,913
Foreign securities	5,683	6,116	433
Other securities	455	512	56
Total	19,450	24,503	5,052

(Note) The above tables describe available-for-sale securities with practically determinable fair value.

Gains and losses on sales of securities

(Yen in 100 millions)

	Nine months ended December 31, 2016 Gains/(losses)	Nine months ended December 31, 2017 Gains/(losses)	Change	
			Gains	Losses
Domestic bonds	5	2	2	0
Domestic stocks	106	71	72	0
Foreign securities	(25)	6	25	18
Other securities	-	-	-	-
Total	86	80	100	19

Impairment losses on securities

(Yen in 100 millions)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Change
Domestic bonds	-	-	-
Domestic stocks	6	0	(5)
Foreign securities	6	0	(6)
Other securities	-	-	-
Total	12	0	(12)

4. Supplementary Information

(1) Supplementary Information on Consolidated Business Results

(a) Premiums Written and Net Claims Paid by Line of Insurance

Direct Premiums Written by Line of Insurance (including Deposit premiums from policyholders)

(Yen in millions)

Lines of Insurance	Nine months ended December 31, 2016			Nine months ended December 31, 2017		
	Amount	Share (%)	Change ratio (%)	Amount	Share (%)	Change ratio (%)
Fire and allied	443,670	16.2	(16.0)	455,641	16.4	2.7
Marine	145,206	5.3	39.3	151,574	5.5	4.4
Personal accident	250,264	9.1	1.6	245,463	8.8	(1.9)
Voluntary automobile	1,156,787	42.1	4.3	1,164,561	41.9	0.7
CALI	270,038	9.8	0.3	259,619	9.4	(3.9)
Other	479,845	17.5	20.0	500,840	18.0	4.4
Total:	2,745,812	100.0	3.3	2,777,701	100.0	1.2
Deposit premiums from policyholders	79,361	2.9	(16.5)	68,815	2.5	(13.3)

(Reference) Direct Premiums Written excluding Good Result Return premiums of the automobile insurance product "ModoRich"

Voluntary Automobile	1,156,443		4.3	1,168,827		1.1
Total	2,745,468		3.3	2,781,967		1.3

Net Premiums Written by Line of Insurance

(Yen in millions)

Lines of Insurance	Nine months ended December 31, 2016			Nine months ended December 31, 2017		
	Amount	Share (%)	Change ratio (%)	Amount	Share (%)	Change ratio (%)
Fire and allied	408,784	15.7	9.3	410,331	15.6	0.4
Marine	127,064	4.9	54.8	131,135	5.0	3.2
Personal accident	175,662	6.7	7.2	180,015	6.9	2.5
Voluntary automobile	1,188,659	45.6	5.8	1,198,970	45.7	0.9
CALI	264,147	10.1	(2.9)	270,573	10.3	2.4
Other	444,640	17.0	36.9	432,929	16.5	(2.6)
Total	2,608,957	100.0	11.5	2,623,955	100.0	0.6

(Reference) Net Premiums Written excluding Good Result Return premiums of the automobile insurance product "ModoRich"

Voluntary automobile	1,188,315		5.7	1,203,237		1.3
Total	2,608,613		11.4	2,628,222		0.8

Net Claims Paid by Line of Insurance

(Yen in millions)

Lines of Insurance	Nine months ended December 31, 2016			Nine months ended December 31, 2017		
	Amount	Share (%)	Change ratio (%)	Amount	Share (%)	Change ratio (%)
Fire and allied	227,702	16.9	27.6	237,810	17.0	4.4
Marine	67,839	5.0	96.9	70,383	5.0	3.8
Personal accident	80,924	6.0	(1.9)	78,808	5.6	(2.6)
Voluntary automobile	590,983	43.9	2.5	623,745	44.6	5.5
CALI	197,366	14.6	0.0	192,436	13.8	(2.5)
Other	183,026	13.6	27.9	195,672	14.0	6.9
Total	1,347,843	100.0	11.1	1,398,856	100.0	3.8

(Note) The figures in the above tables include elimination of intersegment transactions.

(b) Investments in Securities

1. Trading securities

(Yen in millions)

	March 31, 2017		December 31, 2017	
	Carrying amount	Unrealized gains/(losses) included in income	Carrying amount	Unrealized gains/(losses) included in income
Trading securities	3,245,290	41,278	3,377,892	105,187

(Note) "Trading securities" includes certificates of deposits included in Cash, deposits and savings, and commercial papers included in Monetary claims bought on the consolidated balance sheet.

2. Held-to-maturity securities

(Yen in millions)

Items	March 31, 2017			December 31, 2017		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Domestic Bonds	1,032,755	1,223,936	191,181	1,042,602	1,239,371	196,769
Other Securities	9,539	9,539	-	6,784	6,784	-
Total	1,042,295	1,233,476	191,181	1,049,387	1,246,156	196,769

(Note) "Other Securities" includes certificates of deposits included in Cash, deposits and savings, and commercial papers included in Monetary claims bought on the consolidated balance sheet.

3. Debt securities earmarked for underwriting reserves

(Yen in millions)

Items	March 31, 2017			December 31, 2017		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Domestic Bonds	288,821	285,054	(3,766)	420,027	419,219	(808)
Foreign Securities	1,408,431	1,436,414	27,983	1,628,889	1,676,205	47,315
Total	1,697,252	1,721,469	24,216	2,048,917	2,095,424	46,507

4. Available-for-sale securities

(Yen in millions)

Items	March 31, 2017			December 31, 2017		
	Cost	Carrying amount	Difference	Cost	Carrying amount	Difference
Domestic Bonds	4,005,029	4,336,212	331,183	4,017,499	4,334,107	316,607
Domestic Stocks	1,140,272	2,589,024	1,448,751	1,093,160	3,001,530	1,908,370
Foreign Securities	1,982,164	2,065,525	83,361	2,191,917	2,317,806	125,888
Other Securities	145,206	154,664	9,457	169,144	182,306	13,162
Total	7,272,672	9,145,427	1,872,754	7,471,721	9,835,750	2,364,029

(Notes) 1. Available-for-sale securities without practically determinable fair value are not included in the above table.

2. "Other Securities" includes certificates of deposits included in Cash, deposits and savings, and commercial papers and loan receivable trust beneficiary certificates included in Monetary claims bought on the consolidated balance sheet.

3. The Company and its consolidated subsidiaries recognized impairment losses on Available-for-sale securities with practically determinable fair value as follows.

For the year ended March 31, 2017: ¥1,602 million (comprised of ¥669 million on Domestic stocks and ¥932 million on Foreign securities)

For the nine months ended December 31, 2017: ¥404 million (comprised of ¥70 million on Domestic stocks and ¥333 million on Foreign securities)

In principle, the Company and its domestic consolidated subsidiaries recognize impairment losses on securities with practically determinable fair value if the fair value declines by 30% or more from the cost.

(2) Summary of Business Results of Main Consolidated Subsidiaries

(a) Mitsui Sumitomo Insurance Co., Ltd. (Non-consolidated)

Non-Consolidated Balance Sheets

(Yen in millions)

Items	March 31, 2017	December 31, 2017
(Assets)		
Cash, deposits and savings	389,027	436,938
Receivables under resale agreements	6,999	6,999
Monetary claims bought	20,393	14,756
Money trusts	3,500	4,142
Investments in securities	5,294,691	5,784,739
Loans	418,146	392,681
Tangible fixed assets	210,723	204,615
Intangible fixed assets	40,105	40,283
Other assets	352,144	332,992
Customers' liabilities under acceptances and guarantees	45,520	48,432
Bad debt reserve	(4,175)	(3,324)
Total assets	6,777,076	7,263,257
(Liabilities)		
Policy liabilities:	3,960,687	3,949,700
Outstanding claims	643,446	667,313
Underwriting reserves	3,317,241	3,282,386
Bonds issued	256,191	386,191
Other liabilities:	515,281	473,023
Income taxes payable	39,277	21,072
Lease obligations	1,399	1,231
Asset retirement obligations	3,831	3,869
Other liabilities	470,773	446,849
Reserve for pension and retirement benefits	136,186	141,699
Reserve for retirement benefits for officers	612	502
Accrued bonuses for employees	10,453	370
Reserve for reorganization by function	3,015	2,688
Reserves under the special laws:	67,801	70,756
Reserve for price fluctuation	67,801	70,756
Deferred tax liabilities	136,275	222,862
Acceptances and guarantees	45,520	48,432
Total liabilities	5,132,025	5,296,228
(Net assets)		
Common stock	139,595	139,595
Capital surplus	93,107	93,107
Retained earnings	443,975	541,591
Total shareholders' equity	676,678	774,294
Net unrealized gains/(losses) on investments in securities	932,995	1,159,444
Net deferred gains/(losses) on hedges	35,377	33,290
Total valuation and translation adjustments	968,372	1,192,734
Total net assets	1,645,050	1,967,029
Total liabilities and net assets	6,777,076	7,263,257

Non-Consolidated Statements of Income

(Yen in millions)

Items	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Ordinary income:	1,333,885	1,386,801
Underwriting income:	1,215,043	1,232,483
Net premiums written	1,104,659	1,123,736
Deposit premiums from policyholders	56,329	47,948
Investment income on deposit premiums from policyholders	27,856	25,298
Reversal of underwriting reserves	26,166	34,854
Investment income:	115,849	150,953
Interest and dividends income	84,143	88,957
Investment gains on money trusts	492	653
Gains on sales of securities	54,076	80,000
Transfer of investment income on deposit premiums from policyholders	(27,856)	(25,298)
Other ordinary income	2,993	3,364
Ordinary expenses:	1,164,931	1,191,781
Underwriting expenses:	997,023	1,020,058
Net claims paid	596,353	605,388
Loss adjustment expenses	64,395	64,846
Commissions and collection expenses	188,797	194,866
Maturity refunds to policyholders	127,015	130,546
Provision for outstanding claims	19,364	23,867
Investment expenses:	5,715	4,655
Investment losses on money trusts	9	-
Losses on sales of securities	1,447	2,745
Impairment losses on securities	95	962
Operating expenses and general and administrative expenses	157,355	161,336
Other ordinary expenses:	4,835	5,730
Interest expense	4,760	4,818
Ordinary profit	168,954	195,020
Extraordinary income	773	6,440
Extraordinary losses	4,387	4,254
Income before income taxes	165,340	197,205
Income taxes	40,162	47,011
Net income	125,178	150,194

Non-Consolidated Solvency Margin Ratio

Insurance companies running their business in Japan calculate the non-consolidated solvency margin ratio pursuant to the provisions of Articles 86 and 87 of the Insurance Business Act Enforcement Regulations and Public Notice No. 50 issued by the Ministry of Finance in 1996.

While insurance companies set aside reserves to provide for payments of insurance claims should an insured event occur, they are also required to maintain sufficient funds to pay out in an event outside the normal range of estimates such as a major catastrophe and a significant drop in the value of their assets.

The non-consolidated solvency margin ratio, or item (C) in each of the tables below, which is calculated in accordance with the Insurance Business Act, is the ratio of “solvency margin of insurance companies calculated based on their capital and other reserves”, or (A) the total amount of solvency margin, to “risks exceeding the normal range of estimates”, or (B) the total amount of risks.

The non-consolidated solvency margin ratio is one of the objective indicators used by the insurance regulatory authorities to supervise insurance companies. A non-consolidated solvency margin ratio of 200% or over indicates adequate ability to satisfy insurance claims and other payment requirements.

(Yen in millions)

	March 31, 2017	December 31, 2017
(A) Total amount of solvency margin	2,840,438	3,486,992
Total net assets	639,997	774,294
Reserve for price fluctuation	67,801	70,756
Contingency reserve	589	717
Catastrophe reserve	536,735	567,875
General bad debt reserve	156	170
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)	1,164,861	1,447,335
Net unrealized gains/(losses) on land	45,296	50,656
Excess of policyholders' contract deposits (a)	-	-
Subordinated debts, etc. (b)	256,191	386,191
Amount excluded from the margin, out of (a) and (b)	-	-
Deductions	14,646	6,642
Others	143,455	195,636
(B) Total amount of risks $\sqrt{(R_1 + R_2)^2 + (R_3 + R_4)^2} + R_5 + R_6$	863,472	959,025
General insurance risk (R ₁)	125,601	126,922
Insurance risk of third sector insurance contracts (R ₂)	-	-
Assumed interest rate risk (R ₃)	16,637	16,228
Asset management risk (R ₄)	696,215	797,668
Business administration risk (R ₅)	19,178	21,100
Catastrophe risk (R ₆)	120,461	114,191
(C) Solvency margin ratio [(A) / {(B) x 1/2}] x 100	657.9 %	727.1 %

(Note) The non-consolidated solvency margin ratio for December 31, 2017 is calculated by partially applying the simplified method where components such as the catastrophe risk (R₆) are calculated based on the data used for September 30, 2017.

(b) Aioi Nissay Dowa Insurance Co., Ltd. (Non-consolidated)**Non-Consolidated Balance Sheets**

(Yen in millions)

Items	March 31, 2017	December 31, 2017
(Assets)		
Cash, deposits and savings	172,323	121,879
Call loans	15,000	-
Money trusts	2,502	2,521
Investments in securities	2,577,087	2,779,602
Loans	210,917	200,104
Tangible fixed assets	174,597	168,647
Intangible fixed assets	19,679	23,889
Other assets	276,730	287,653
Prepaid pension expenses	27,150	24,542
Deferred tax assets	16,329	-
Customers' liabilities under acceptances and guarantees	7,530	5,500
Bad debt reserve	(1,584)	(1,294)
Total assets	3,498,264	3,613,044
(Liabilities)		
Policy liabilities:	2,425,101	2,506,417
Outstanding claims	526,764	583,675
Underwriting reserves	1,898,337	1,922,742
Bonds issued	50,000	22,000
Other liabilities:	154,423	140,310
Income taxes payable	17,290	1,590
Lease obligations	30	18
Asset retirement obligations	661	817
Other liabilities	136,441	137,883
Reserve for pension and retirement benefits	22,840	25,974
Accrued bonuses for employees	5,919	326
Reserve for reorganization by function	2,288	1,981
Reserves under the special laws:	37,114	38,453
Reserve for price fluctuation	37,114	38,453
Deferred tax liabilities	-	22,583
Acceptances and guarantees	7,530	5,500
Total liabilities	2,705,218	2,763,547
(Net assets)		
Common stock	100,005	100,005
Capital surplus	81,207	81,207
Retained earnings	237,071	176,032
Total shareholders' equity	418,284	357,244
Net unrealized gains/(losses) on investments in securities	374,762	492,252
Total valuation and translation adjustments	374,762	492,252
Total net assets	793,046	849,497
Total liabilities and net assets	3,498,264	3,613,044

Non-Consolidated Statements of Income

(Yen in millions)

Items	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Ordinary income:	990,072	1,012,489
Underwriting income:	944,164	962,088
Net premiums written	905,141	925,454
Deposit premiums from policyholders	23,031	20,867
Investment income on deposit premiums from policyholders	14,095	12,613
Reversal of outstanding claims	808	-
Investment income:	41,272	43,640
Interest and dividends income	42,808	45,497
Investment gains on money trusts	0	1
Gains on sales of securities	11,929	10,011
Transfer of investment income on deposit premiums from policyholders	(14,095)	(12,613)
Other ordinary income	4,635	6,760
Ordinary expenses:	909,973	983,630
Underwriting expenses:	764,236	842,533
Net claims paid	486,725	484,239
Loss adjustment expenses	45,169	46,184
Commissions and collection expenses	169,199	178,315
Maturity refunds to policyholders	54,196	51,264
Provision for outstanding claims	-	56,910
Provision for underwriting reserves	6,962	24,405
Investment expenses:	7,733	6,136
Losses on sales of securities	3,284	1,928
Impairment losses on securities	1,275	69
Operating expenses and general and administrative expenses	136,471	133,490
Other ordinary expenses:	1,532	1,469
Interest expense	565	472
Ordinary profit	80,098	28,859
Extraordinary income	1,399	1,597
Extraordinary losses	7,412	7,170
Income before income taxes	74,086	23,286
Income taxes	17,756	4,186
Net income	56,329	19,099

Non-Consolidated Solvency Margin Ratio

(Yen in millions)

	March 31, 2017	December 31, 2017
(A) Total amount of solvency margin	1,332,714	1,429,861
Total net assets	398,099	357,244
Reserve for price fluctuation	37,114	38,453
Contingency reserve	747	747
Catastrophe reserve	318,711	349,087
General bad debt reserve	296	199
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)	455,477	601,130
Net unrealized gains/(losses) on land	14,099	18,040
Excess of policyholders' contract deposits (a)	-	-
Subordinated debts, etc. (b)	50,000	17,600
Amount excluded from the margin, out of (a) and (b)	-	-
Deductions	10,743	5,738
Others	68,911	53,096
(B) Total amount of risks $\sqrt{(R_1 + R_2)^2 + (R_3 + R_4)^2} + R_5 + R_6$	312,981	351,758
General insurance risk (R ₁)	103,370	103,077
Insurance risk of third sector insurance contracts (R ₂)	-	-
Assumed interest rate risk (R ₃)	8,387	8,070
Asset management risk (R ₄)	221,083	253,908
Business administration risk (R ₅)	7,728	8,535
Catastrophe risk (R ₆)	53,574	61,695
(C) Solvency margin ratio [(A) / {(B) x 1/2}] x 100	851.6 %	812.9 %

(Note) The non-consolidated solvency margin ratio for December 31, 2017 is calculated by partially applying the simplified method where components such as the catastrophe risk (R₆) are calculated based on the data used for September 30, 2017.

(c) Mitsui Direct General Insurance Co., Ltd. (Non-consolidated)

Non-Consolidated Balance Sheets

(Yen in millions)

Items	March 31, 2017	December 31, 2017
(Assets)		
Cash, deposits and savings	12,180	11,515
Investments in securities	39,510	40,419
Tangible fixed assets	367	385
Intangible fixed assets	2,307	2,495
Other assets	5,625	5,412
Bad debt reserve	(4)	(2)
Total assets	59,987	60,227
(Liabilities)		
Policy liabilities:	44,851	44,306
Outstanding claims	24,157	24,530
Underwriting reserves	20,693	19,775
Other liabilities:	1,254	1,198
Income taxes payable	119	184
Asset retirement obligations	17	17
Other liabilities	1,118	996
Reserve for pension and retirement benefits	52	91
Accrued bonuses for employees	262	-
Reserves under the special laws:	56	63
Reserve for price fluctuation	56	63
Deferred tax liabilities	119	91
Total liabilities	46,596	45,751
(Net assets)		
Common stock	39,106	39,106
Capital surplus	9,006	9,006
Retained earnings	(34,820)	(33,693)
Total shareholders' equity	13,291	14,418
Net unrealized gains/(losses) on investments in securities	99	57
Total valuation and translation adjustments	99	57
Total net assets	13,390	14,476
Total liabilities and net assets	59,987	60,227

Non-Consolidated Statements of Income

(Yen in millions)

Items	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Ordinary income:	28,060	28,545
Underwriting income:	27,997	28,487
Net premiums written	27,462	27,555
Investment income on deposit premiums from policyholders	15	14
Reversal of underwriting reserves	519	917
Investment income:	55	44
Interest and dividends income	70	58
Gains on sales of securities	0	0
Transfer of investment income on deposit premiums from policyholders	(15)	(14)
Other ordinary income	7	14
Ordinary expenses:	27,953	27,286
Underwriting expenses:	21,971	21,044
Net claims paid	19,391	18,409
Loss adjustment expenses	2,045	2,056
Commissions and collection expenses	183	204
Provision for outstanding claims	350	373
Investment expenses	-	-
Operating expenses and general and administrative expenses	5,948	6,239
Other ordinary expenses	33	2
Ordinary profit	107	1,259
Extraordinary income	-	-
Extraordinary losses	10	6
Income before income taxes	97	1,253
Income taxes	28	126
Net income	68	1,127

Non-Consolidated Solvency Margin Ratio

(Yen in millions)

	March 31, 2017	December 31, 2017
(A) Total amount of solvency margin	14,705	15,471
Total net assets	13,291	14,418
Reserve for price fluctuation	56	63
Contingency reserve	0	0
Catastrophe reserve	1,231	916
General bad debt reserve	1	1
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)	124	71
Net unrealized gains/(losses) on land	-	-
Excess of policyholders' contract deposits (a)	-	-
Subordinated debts, etc. (b)	-	-
Amount excluded from the margin, out of (a) and (b)	-	-
Deductions	-	-
Others	-	-
(B) Total amount of risks $\sqrt{(R_1 + R_2)^2 + (R_3 + R_4)^2} + R_5 + R_6$	6,817	6,819
General insurance risk (R ₁)	6,227	6,227
Insurance risk of third sector insurance contracts (R ₂)	-	-
Assumed interest rate risk (R ₃)	0	0
Asset management risk (R ₄)	912	924
Business administration risk (R ₅)	223	223
Catastrophe risk (R ₆)	300	300
(C) Solvency margin ratio [(A) / {(B) x 1/2}] x 100	431.4 %	453.7 %

(Note) The non-consolidated solvency margin ratio for December 31, 2017 is calculated by partially applying the simplified method to components such as the assumed interest rate risk (R₃).

(d) Mitsui Sumitomo Aioi Life Insurance Co., Ltd. (Non-consolidated)**Non-Consolidated Balance Sheets**

(Yen in millions)

Items	March 31, 2017	December 31, 2017
(Assets)		
Cash, deposits and savings	290,010	145,999
Receivables under securities borrowing transactions	285,455	268,786
Investments in securities	2,919,795	3,234,324
Loans	55,198	56,071
Tangible fixed assets	4,638	4,082
Intangible fixed assets	20,987	23,521
Due from agencies	116	119
Reinsurance accounts receivable	1,018	13
Other assets	42,103	40,288
Bad debt reserve	(128)	(120)
Total assets	3,619,194	3,773,085
(Liabilities)		
Policy liabilities:	2,934,939	3,111,240
Outstanding claims	27,648	26,933
Underwriting reserves	2,896,459	3,073,793
Reserve for dividends to policyholders	10,831	10,513
Due to agencies	5,626	4,065
Reinsurance accounts payable	283	213
Other liabilities:	375,124	355,824
Payables under securities lending transactions	361,797	345,550
Income taxes payable	853	649
Lease obligations	2,976	2,538
Asset retirement obligations	429	431
Other liabilities	9,066	6,653
Reserve for pension and retirement benefits	2,535	2,873
Reserve for retirement benefits for officers	28	23
Reserves under the special laws:	5,988	6,635
Reserve for price fluctuation	5,988	6,635
Deferred tax liabilities	18,397	16,986
Total liabilities	3,342,924	3,497,862
(Net assets)		
Common stock	85,500	85,500
Capital surplus	93,688	93,688
Retained earnings	6,133	8,714
Total shareholders' equity	185,321	187,903
Net unrealized gains/(losses) on investments in securities	90,948	87,319
Total valuation and translation adjustments	90,948	87,319
Total net assets	276,270	275,222
Total liabilities and net assets	3,619,194	3,773,085

Non-Consolidated Statements of Income

(Yen in millions)

Items	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Ordinary income:	385,526	401,924
Insurance premiums and others:	349,335	360,711
Insurance premiums	349,028	360,216
Investment income:	34,810	38,536
Interest and dividends income	32,957	33,494
Gains on sales of securities	1,853	5,032
Other ordinary income:	1,380	2,676
Reversal of outstanding claims	-	714
Ordinary expenses:	372,461	388,693
Insurance claims and others:	137,506	141,194
Insurance claims	30,889	31,074
Annuity payments	11,922	12,894
Benefits	12,005	13,894
Surrender benefits	79,210	79,489
Other refunds	2,356	2,957
Provision for underwriting reserves and others:	167,937	177,333
Provision for outstanding claims	1,707	-
Provision for underwriting reserves	166,229	177,333
Provision for interest portion of reserve for dividends to policyholders	0	0
Investment expenses:	2,919	2,501
Interest expense	53	48
Losses on sales of securities	611	690
Losses on derivative transactions	2,179	1,697
Operating expenses	55,494	58,367
Other ordinary expenses	8,604	9,295
Ordinary profit	13,065	13,230
Extraordinary income	1	1
Extraordinary losses	570	656
Provision for reserve for dividends to policyholders	3,709	4,446
Income before income taxes	8,786	8,128
Income taxes	2,672	2,006
Net income	6,114	6,121

Business Results**Amount of Policies in Force and New Policies**

(1) Policies in force (Yen in 100 millions)

	March 31, 2017		December 31, 2017	
	Number of policies (in thousands)	Amount	Number of policies (in thousands)	Amount
Individual insurance	2,938	224,779	3,026	229,969
Individual annuities	186	7,362	183	7,167
Group insurance	-	70,743	-	77,727
Group annuities	-	3	-	3

(Notes) 1. The amounts of individual annuities represent the total sum of (a) the funds to be held at the time annuity payments are to commence for the policies for which annuity payments have not yet commenced and (b) the underwriting reserves for the policies for which annuity payments have commenced.

2. The amounts of group annuities represent the underwriting reserves.

(2) New policies (Yen in 100 millions)

	Nine months ended December 31, 2016				Nine months ended December 31, 2017			
	Number of policies (in thousands)	Amount	New policies	Net increase by conversion	Number of policies (in thousands)	Amount	New policies	Net increase by conversion
Individual insurance	226	15,865	15,865	-	204	20,675	20,675	-
Individual annuities	4	186	186	-	1	72	72	-
Group insurance	-	428	428	-	-	1,206	1,206	-
Group annuities	-	-	-	-	-	-	-	-

(Note) The amounts of individual annuities represent the funds to be held at the time annuity payments are to commence.

Annualized Premiums

(1) Policies in force (Yen in 100 millions)

	March 31, 2017	December 31, 2017
Individual insurance	3,577	3,665
Individual annuities	433	432
Total:	4,010	4,097
Medical coverage, living benefits, etc.	884	945

(2) New policies (Yen in 100 millions)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Individual insurance	325	289
Individual annuities	10	3
Total:	336	292
Medical coverage, living benefits, etc.	113	103

(Notes) 1. An annualized premium is the annual total of premiums that is obtained by multiplying the amount of a single payment with the number of payments per year in accordance with the premium payment method. An annualized premium for a lump-sum payment policy is the premium divided by the number of years of coverage.

2. "Medical coverage, living benefits, etc." represents the portion of annualized premiums that corresponds to medical coverage benefits (for hospitalization, surgeries, etc.), living benefits (for specified diseases, nursing care, etc.) and premium waiver benefits (excluding those for disability, but including those for specified diseases, nursing care, etc.).

Non-Consolidated Business Performance

(Yen in millions)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Change
Fundamental revenues:	383,675	396,888	13,213
Insurance premiums and others	349,335	360,711	11,376
Fundamental expenses	367,858	385,448	17,590
Fundamental profit	15,817	11,439	(4,377)
Capital gains/(losses)	(942)	2,646	3,588
Non-recurring gains/(losses)	(1,809)	(854)	954
Ordinary profit	13,065	13,230	165
Extraordinary income	1	1	0
Extraordinary losses	570	656	86
Provision for reserve for dividends to policyholders	3,709	4,446	737
Income taxes	2,672	2,006	(665)
Net income	6,114	6,121	7

Non-Consolidated Solvency Margin Ratio

(Yen in millions)

	March 31, 2017	December 31, 2017
(A) Total amount of solvency margin	487,958	497,887
Total capital	183,197	187,903
Reserve for price fluctuation	5,988	6,635
Contingency reserve	31,584	32,440
General bad debt reserve	25	18
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions) x 90%	113,685	109,149
Net unrealized gains/(losses) on land x 85%	-	-
Excess of continued Zillmerized reserve (a)	151,430	158,149
Subordinated debts, etc. (b)	-	-
Amount excluded from the margin, out of (a) and (b)	-	-
Brought in capital	-	-
Deductions	-	-
Others	2,046	3,589
(B) Total amount of risks $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	51,546	55,864
Insurance risk (R ₁)	16,565	17,318
Insurance risk of third sector insurance contracts (R ₈)	11,315	11,325
Assumed interest rate risk (R ₂)	3,080	3,108
Minimum guarantee risk (R ₇)	-	-
Asset management risk (R ₃)	38,611	43,101
Business administration risk (R ₄)	1,391	1,497
(C) Solvency margin ratio [(A) / {(B) x 1/2}] x 100	1,893.2 %	1,782.4 %

(e) Mitsui Sumitomo Primary Life Insurance Co., Ltd. (Non-consolidated)

Non-Consolidated Balance Sheets

(Yen in millions)

Items	March 31, 2017	December 31, 2017
(Assets)		
Cash, deposits and savings	141,458	173,171
Monetary claims bought	41,499	35,999
Money trusts	965,032	1,098,552
Investments in securities	4,404,883	4,754,763
Loans	208,643	251,496
Tangible fixed assets	560	727
Intangible fixed assets	4,471	5,334
Reinsurance accounts receivable	2,851	3,534
Other assets	25,001	44,620
Deferred tax assets	43,644	41,608
Total assets	5,838,048	6,409,808
(Liabilities)		
Policy liabilities:	5,561,432	6,112,967
Outstanding claims	12,418	16,065
Underwriting reserves	5,549,014	6,096,901
Due to agencies	4,984	4,292
Reinsurance accounts payable	7,199	5,206
Other liabilities:	42,675	31,552
Income taxes payable	2,911	-
Lease obligations	207	517
Asset retirement obligations	132	134
Other liabilities	39,423	30,901
Reserves under the special laws:	84,000	91,254
Reserve for price fluctuation	84,000	91,254
Total liabilities	5,700,291	6,245,273
(Net assets)		
Common stock	41,060	41,060
Capital surplus	24,735	24,735
Retained earnings	64,435	85,978
Total shareholders' equity	130,230	151,773
Net unrealized gains/(losses) on investments in securities	7,522	12,542
Net deferred gains/(losses) on hedges	3	218
Total valuation and translation adjustments	7,525	12,761
Total net assets	137,756	164,535
Total liabilities and net assets	5,838,048	6,409,808

Non-Consolidated Statements of Income

(Yen in millions)

Items	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Ordinary income:	920,548	1,171,090
Insurance premiums and others:	788,144	789,676
Insurance premiums	782,055	756,890
Investment income:	129,858	378,941
Interest and dividends income	43,773	58,424
Investment gains on money trusts	-	63,675
Gains on sales of securities	1,306	1,506
Gains on derivative transactions	64	-
Investment gains on separate accounts	73,415	201,324
Other ordinary income	2,545	2,472
Ordinary expenses:	871,794	1,128,726
Insurance claims and others:	316,829	533,857
Insurance claims	42,289	50,607
Annuity payments	60,177	64,921
Benefits	91,411	130,989
Surrender benefits	78,465	182,264
Other refunds	2,562	1,911
Provision for underwriting reserves and others:	495,392	551,534
Provision for outstanding claims	1,490	3,646
Provision for underwriting reserves	493,901	547,887
Investment expenses:	4,265	52
Interest expense	0	0
Investment losses on money trusts	2,913	-
Losses on sales of securities	1,299	-
Operating expenses	47,773	37,109
Other ordinary expenses	7,533	6,172
Ordinary profit	48,754	42,363
Extraordinary income	-	-
Extraordinary losses	1,751	7,254
Income before income taxes	47,002	35,109
Income taxes	13,175	9,797
Net income	33,826	25,311

Business Results**Amount of Policies in Force and New Policies**

(1) Policies in force

(Yen in 100 millions)

	March 31, 2017		December 31, 2017	
	Number of policies (in thousands)	Amount	Number of policies (in thousands)	Amount
Individual insurance	597	33,352	665	38,782
Individual annuities	323	23,455	332	23,687
Group insurance	-	-	-	-
Group annuities	-	-	-	-

(Note) The amounts of individual annuities represent the total sum of (a) the funds to be held at the time annuity payments are to commence (the premium reserves in the case of individual variable annuities) for the policies for which annuity payments have not yet commenced and (b) the underwriting reserves for the policies for which annuity payments have commenced.

(2) New policies

(Yen in 100 millions)

	Nine months ended December 31, 2016				Nine months ended December 31, 2017			
	Number of policies (in thousands)	Amount	New policies	Net increase by conversion	Number of policies (in thousands)	Amount	New policies	Net increase by conversion
Individual insurance	121	6,645	6,645	-	89	6,125	6,125	-
Individual annuities	17	945	945	-	32	1,456	1,456	-
Group insurance	-	-	-	-	-	-	-	-
Group annuities	-	-	-	-	-	-	-	-

(Note) The amounts of individual annuities represent the funds to be held at the time annuity payments are to commence (the premium reserves at the time of enrollment in the case of individual variable annuities).

Annualized Premiums

(1) Policies in force

(Yen in 100 millions)

	March 31, 2017	December 31, 2017
Individual insurance	2,217	2,680
Individual annuities	3,104	2,536
Total:	5,321	5,217
Medical coverage, living benefits, etc.	0	0

(2) New policies

(Yen in 100 millions)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Individual insurance	479	493
Individual annuities	652	202
Total:	1,131	695
Medical coverage, living benefits, etc.	-	-

(Notes) 1. An annualized premium is the annual total of premiums that is obtained by multiplying the amount of a single payment with the number of payments per year in accordance with the premium payment method. An annualized premium for a lump-sum payment policy is the premium divided by the number of years of coverage.

2. "Medical coverage, living benefits, etc." represents the portion of annualized premiums that corresponds to medical coverage benefits (for hospitalization, surgeries, etc.), living benefits (for specified diseases, nursing care, etc.) and premium waiver benefits (excluding those for disability, but including those for specified diseases, nursing care, etc.).

Non-Consolidated Business Performance

(Yen in millions)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Change
Fundamental revenues:	925,547	1,137,927	212,379
Insurance premiums and others	788,144	789,676	1,531
Fundamental expenses	871,978	1,124,058	252,080
Fundamental profit	53,568	13,868	(39,700)
Capital gains/(losses)	(5,158)	33,163	38,321
Non-recurring gains/(losses)	343	(4,668)	(5,011)
Ordinary profit	48,754	42,363	(6,390)
Extraordinary income	-	-	-
Extraordinary losses	1,751	7,254	5,502
Provision for reserve for dividends to policyholders	-	-	-
Income taxes	13,175	9,797	(3,378)
Net income	33,826	25,311	(8,514)

(Note) Since the period for nine months ended December 31, 2017, the disclosure method of the breakdown of ordinary profit relating to the effect of change in surrender values associated with market value adjustment has been modified. As a result, fundamental profit increased by ¥2,833 million and capital gains decreased by the same amount for the nine months ended December 31, 2017, compared to those before the modification. The figures for the nine months ended December 31, 2016 were also restated accordingly. As a result, fundamental profit increased by ¥444 million and capital gains decreased by the same amount for the nine months ended December 31, 2016, compared to those before the modification.

Non-Consolidated Solvency Margin Ratio

(Yen in millions)

	March 31, 2017	December 31, 2017
(A) Total amount of solvency margin	558,542	595,451
Total capital	126,749	151,773
Reserve for price fluctuation	84,000	91,254
Contingency reserve	74,456	79,124
General bad debt reserve	-	-
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions) x 90%	9,402	15,678
Net unrealized gains/(losses) on land x 85%	-	-
Excess of continued Zillmerized reserve (a)	241,219	225,197
Subordinated debts, etc. (b)	-	-
Amount excluded from the margin, out of (a) and (b)	-	-
Brought in capital	-	-
Deductions	-	-
Others	22,714	32,423
(B) Total amount of risks $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	108,399	123,772
Insurance risk (R ₁)	89	88
Insurance risk of third sector insurance contracts (R ₈)	5	4
Assumed interest rate risk (R ₂)	41,902	46,806
Minimum guarantee risk (R ₇)	3,722	3,055
Asset management risk (R ₃)	60,647	71,481
Business administration risk (R ₄)	2,127	2,428
(C) Solvency margin ratio [(A) / {(B) x 1/2}] x 100	1,030.5 %	962.1 %