

SUMMARY OF FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JUNE 30, 2018

August 8, 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: August 8, 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 Three Months Ended June 30, 2018 (April 1, 2018 to June 30, 2018)

(1) Consolidated business performance (Yen in millions)

	Ordinary income		Ordinary profit		Net income attributable to owners of the parent	
Three months ended June 30, 2018	1,461,622	(1.3) %	125,400	0.7 %	83,863	(8.5) %
Three months ended June 30, 2017	1,480,971	7.2 %	124,559	153.1 %	91,671	140.9 %

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

(Note) Comprehensive income For the three months ended June 30, 2018: ¥ 59,097 million (55.0) %
 For the three months ended June 30, 2017: ¥ 131,356 million - %

(Yen)

	Net income attributable to owners of the parent per share - Basic	Net income attributable to owners of the parent per share - Diluted
Three months ended June 30, 2018	141.72	141.69
Three months ended June 30, 2017	154.82	154.80

(2) Consolidated financial conditions

(Yen in millions)

	Total assets	Net assets	Ratio of net assets less non-controlling interests to total assets
June 30, 2018	22,699,737	2,979,492	13.0 %
March 31, 2018	22,472,927	2,968,387	13.1 %

(Reference) Net assets less non-controlling interests As of June 30, 2018: ¥ 2,951,929 million
 As of March 31, 2018: ¥ 2,941,112 million

2. Dividends

(Yen)

	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual total
Year ended March 31, 2018	-	65.00	-	65.00	130.00
Year ending March 31, 2019	-				
Year ending March 31, 2019 (Forecast)		65.00	-	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, 2019 (April 1, 2018 to March 31, 2019)

(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, 2019	295,000	39.4 %	200,000	29.8 %	340.18

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): None

(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 5 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 June 30, 2018:	593,291,754 shares
As of March 31, 2018:	593,291,754 shares
2. Number of shares of treasury stock

As of June 30, 2018:	3,706,651 shares
As of March 31, 2018:	880,702 shares
3. Average number of shares of outstanding stock

For the three months ended June 30, 2018:	591,722,538 shares
For the three months ended June 30, 2017:	592,085,132 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 forecasts of consolidated ordinary income for the current fiscal year and consolidated earnings for the second quarter (cumulative) are 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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Consolidated Financial Statements and Main Notes

1. Consolidated Balance Sheets

(Yen in millions)

	March 31, 2018	June 30, 2018
Assets		
Cash, deposits and savings	1,481,694	1,538,687
Receivables under resale agreements	6,999	349,466
Receivables under securities borrowing transactions	309,644	-
Monetary claims bought	140,133	144,029
Money trusts	1,043,506	1,130,253
Investments in securities	16,152,966	16,106,051
Loans	892,599	891,304
Tangible fixed assets	459,624	455,512
Intangible fixed assets	549,502	533,065
Other assets	1,297,829	1,411,376
Assets for retirement benefits	30,645	30,269
Deferred tax assets	68,026	67,353
Customers' liabilities under acceptances and guarantees	49,500	51,500
Bad debt reserve	(9,746)	(9,133)
Total assets	22,472,927	22,699,737
Liabilities		
Policy liabilities:	16,964,512	17,191,574
Outstanding claims	2,213,650	2,165,316
Underwriting reserves	14,750,861	15,026,258
Bonds issued	558,191	558,191
Other liabilities	1,328,675	1,317,543
Liabilities for pension and retirement benefits	184,569	184,005
Reserve for retirement benefits for officers	538	483
Accrued bonuses for employees	27,592	8,791
Reserve for reorganization by function	16,341	14,944
Reserves under the special laws:	152,928	161,907
Reserve for price fluctuation	152,928	161,907
Deferred tax liabilities	221,690	231,304
Acceptances and guarantees	49,500	51,500
Total liabilities	19,504,540	19,720,245
Net assets		
Shareholders' equity:		
Common stock	100,000	100,000
Capital surplus	554,320	554,327
Retained earnings	849,044	894,402
Treasury stock	(2,599)	(12,521)
Total shareholders' equity	1,500,765	1,536,208
Accumulated other comprehensive income:		
Net unrealized gains/(losses) on investments in securities	1,487,258	1,510,192
Net deferred gains/(losses) on hedges	20,043	19,707
Foreign currency translation adjustments	(66,274)	(114,104)
Accumulated actuarial gains/(losses) on retirement benefits	(679)	(73)
Total accumulated other comprehensive income	1,440,346	1,415,721
Stock acquisition rights	566	492
Non-controlling interests	26,709	27,070
Total net assets	2,968,387	2,979,492
Total liabilities and net assets	22,472,927	22,699,737

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

(Yen in millions)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Ordinary income:	1,480,971	1,461,622
Underwriting income:	1,246,601	1,311,815
Net premiums written	954,386	968,915
Deposit premiums from policyholders	22,958	21,182
Investment income on deposit premiums from policyholders	11,000	10,476
Life insurance premiums	247,263	290,539
Reversal of outstanding claims	8,524	7,501
Investment income:	229,471	145,092
Interest and dividends income	85,335	90,067
Investment gains on money trusts	23,705	15,893
Investment gains on trading securities	10,682	-
Gains on sales of securities	35,053	26,181
Investment gains on separate accounts	74,698	19,574
Transfer of investment income on deposit premiums from policyholders	(11,000)	(10,476)
Other ordinary income	4,898	4,714
Ordinary expenses:	1,356,411	1,336,221
Underwriting expenses:	1,181,103	1,138,198
Net claims paid	445,959	475,818
Loss adjustment expenses	40,928	42,122
Commissions and collection expenses	175,000	178,185
Maturity refunds to policyholders	55,640	48,657
Life insurance claims	86,440	98,865
Provision for underwriting reserves	375,795	293,270
Investment expenses:	9,619	24,871
Investment losses on money trusts	-	3,415
Investment losses on trading securities	-	5,110
Losses on sales of securities	2,107	4,439
Impairment losses on securities	813	1,457
Operating expenses and general and administrative expenses	161,534	168,673
Other ordinary expenses:	4,153	4,478
Interest expense	2,545	2,741
Ordinary profit	<u>124,559</u>	<u>125,400</u>
Extraordinary income:	76	61
Gains on sales of fixed assets	76	61
Extraordinary losses:	3,443	12,499
Losses on sales of fixed assets	563	482
Impairment losses on fixed assets	667	784
Provision for reserves under the special laws:	2,206	8,978
Provision for reserve for price fluctuation	2,206	8,978
Losses on reduction of tangible fixed assets	6	-
Other extraordinary losses	-	2,253
Income before income taxes	<u>121,192</u>	<u>112,963</u>
Income taxes	<u>29,147</u>	<u>28,786</u>
Net income	<u>92,045</u>	<u>84,177</u>
Net income attributable to non-controlling interests	<u>373</u>	<u>314</u>
Net income attributable to owners of the parent	<u>91,671</u>	<u>83,863</u>

(Consolidated Statements of Comprehensive Income)

(Yen in millions)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net income	92,045	84,177
Other comprehensive income:		
Net unrealized gains/(losses) on investments in securities	62,415	28,395
Net deferred gains/(losses) on hedges	14	(365)
Foreign currency translation adjustments	(24,059)	(42,206)
Accumulated actuarial gains/(losses) on retirement benefits	966	649
Share of other comprehensive income of equity method investments	(26)	(11,551)
Total other comprehensive income	<u>39,311</u>	<u>(25,079)</u>
Total comprehensive income	<u>131,356</u>	<u>59,097</u>
Allocation:		
Comprehensive income attributable to owners of the parent	131,353	59,237
Comprehensive income attributable to non-controlling interests	3	(139)

3. Notes to Consolidated Financial Statements

(Notes to Going Concern Assumptions)

Not applicable.

(Notes to Significant Changes in Shareholders' Equity)

Not applicable.

(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 Results

(Yen in 100 millions)

	Items	Three months ended June 30, 2017	Three months ended June 30, 2018	Change	Change ratio
Net premiums written (non-life insurance) ^(Note 1)	1	9,552	9,705	152	1.6
Mitsui Sumitomo Insurance ^(Note 1)	2	3,770	3,764	(5)	(0.2)
Aioi Nissay Dowa Insurance	3	3,122	3,097	(24)	(0.8)
Simple sum	4	6,892	6,861	(30)	(0.4)
Mitsui Direct General Insurance	5	94	93	(1)	(1.6)
Overseas insurance subsidiaries	6	2,552	2,742	189	7.4
Insurance premiums (domestic life insurance)	7	3,315	3,625	309	9.3
Mitsui Sumitomo Aioi Life Insurance	8	1,182	1,167	(15)	(1.3)
Mitsui Sumitomo Primary Life Insurance	9	2,133	2,458	325	15.2
Ordinary profit	10	1,245	1,254	8	0.7
Net income attributable to owners of the parent	11	916	838	(78)	(8.5)
Mitsui Sumitomo Insurance	12	666	551	(114)	(17.2)
Aioi Nissay Dowa Insurance	13	224	260	36	16.1
Simple sum	14	891	812	(78)	(8.9)
Mitsui Direct General Insurance	15	12	9	(2)	(22.4)
Mitsui Sumitomo Aioi Life Insurance	16	24	21	(3)	(12.3)
Mitsui Sumitomo Primary Life Insurance	17	34	68	34	101.6
Overseas insurance subsidiaries	18	49	44	(5)	(10.9)
Others, consolidation adjustments, etc.	19	(95)	(117)	(22)	-

(Notes) 1. The figures in the above table are presented as 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 12 to 18 represent the net income or loss on a non-consolidated basis after taking into account the Company's ownership interests in its subsidiaries.

(2) Business Results of Domestic Non-Life Insurance Subsidiaries (Simple Sum of Two Main Consolidated Subsidiaries)

The figures in the table below are presented as followings.

- Simple sum of Mitsui Sumitomo Insurance Co., Ltd. and Aioi Nissay Dowa Insurance Co., Ltd..
- 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.

(Yen in 100 millions)

	Items	Three months ended June 30, 2017	Three months ended June 30, 2018	Change	Change ratio
(+)	Net premiums written	6,892	6,861	(30)	(0.4)
(-)	Net claims paid	3,410	3,589	179	5.3
(-)	Loss adjustment expenses	361	370	8	2.5
(-)	Commissions and collection expenses	1,278	1,280	1	0.1
(-)	Operating expenses and general and administrative expenses for underwriting	945	957	12	1.3
	Underwriting profit before movements in reserves	897	664	(232)	(26.0)
(-)	Movement in outstanding claims	(33)	(17)	15	-
(-)	Movement in ordinary underwriting reserves	233	15	(217)	(93.3)
(-)	Movement in catastrophe reserve	238	241	3	1.4
(+)	Other	21	52	31	147.3
	Underwriting profit	479	477	(2)	(0.5)
(+)	Interest and dividends income	572	583	11	1.9
(-)	Transfer of investment income on deposit premiums from policyholders	127	120	(6)	(5.4)
	Net interest and dividends income (item 12 - item 13)	444	462	17	4.0
(+)	Gains/(losses) on sales of securities	290	194	(96)	(33.1)
(-)	Impairment losses on securities	5	10	5	93.8
(+)	Other	(31)	(25)	6	-
	Investment profit	698	621	(77)	(11.0)
(+)	Other ordinary profit/(loss)	10	(5)	(15)	(146.9)
	Ordinary profit	1,188	1,093	(95)	(8.0)
(+)	Extraordinary income/(losses):	(25)	(32)	(6)	-
	Gains/(losses) on reserve for price fluctuation	(13)	(14)	(0)	-
	Income before income taxes	1,162	1,061	(101)	(8.7)
(-)	Income taxes	271	248	(22)	(8.4)
	Net income	891	812	(78)	(8.9)

Ratios	Net loss ratio	Note 1	26	54.7 %	57.7 %	3.0 %	
	Net expense ratio	Note 2	27	32.3 %	32.6 %	0.3 %	
	Combined ratio	Note 3	28	87.0 %	90.3 %	3.3 %	
Incurred losses (including loss adjustment expenses)		Note 4, 5	29	3,070	3,269	199	6.5
EI loss ratio		Note 4, 6	30	52.7 %	54.5 %	1.8 %	

- (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
4. The calculation is exclusive of residential earthquake insurance and CALI*.
* CALI stands for compulsory automobile liability insurance, and the same hereinafter.
5. Incurred losses (including loss adjustment expenses) = net claims paid + loss adjustment expenses + movement in outstanding claims
6. EI loss ratio = incurred losses (including loss adjustment expenses) / earned premiums x 100
Earned premiums are calculated based on unearned premiums (excluding underwriting reserves for natural disasters), premium reserve, etc.

(3) Business Results of Domestic Life Insurance Subsidiaries

1. Mitsui Sumitomo Aioi Life Insurance Co., Ltd.

(Yen in 100 millions)

	Items	Three months ended June 30, 2017	Three months ended June 30, 2018	Change	Change ratio
Amount of new policies ^(Note)	1	6,298	9,146	2,848	45.2 %
Annualized premiums of new policies	2	84	94	9	11.3 %
Amount of policies in force ^(Note)	3	(As of the beginning of the FY2018) 238,068	241,145	(Change from the beginning of the FY2018) 3,077	1.3 %
Annualized premiums for policies in force	4	(As of the beginning of the FY2018) 4,123	4,137	(Change from the beginning of the FY2018) 13	0.3 %
Insurance premiums	5	1,182	1,167	(15)	(1.3) %
Ordinary profit	6	49	50	0	1.3 %
Extraordinary income/(losses)	7	(1)	(4)	(2)	-
Net income	8	24	21	(3)	(12.3) %

(Note) The figures represent the total sum of individual insurance and individual annuities.

2. Mitsui Sumitomo Primary Life Insurance Co., Ltd.

(Yen in 100 millions)

	Items	Three months ended June 30, 2017	Three months ended June 30, 2018	Change	Change ratio
Amount of new policies ^(Note)	1	2,131	2,480	349	16.4 %
Amount of policies in force ^(Note)	2	(As of the beginning of the FY2018) 60,618	62,287	(Change from the beginning of the FY2018) 1,668	2.8 %
Insurance premiums	3	2,133	2,458	325	15.2 %
Ordinary profit	4	53	167	113	210.3 %
Extraordinary income/(losses)	5	(6)	(73)	(66)	-
Net income	6	34	68	34	101.6 %

(Note) The figures represent the total sum of individual insurance and individual annuities.

(4) Business Results of Overseas Insurance Subsidiaries

(Yen in 100 millions)

	Items	Three months ended June 30, 2017	Three months ended June 30, 2018	Change	Change ratio
Net premiums written	1	2,552	2,742	189	7.4
Asia	2	408	468	59	14.7
Europe:	3	2,011	2,151	140	7.0
MS Amlin	4	1,849	1,977	128	7.0
Americas	5	133	122	(10)	(8.2)
Net income attributable to owners of the parent	6	49	44	(5)	(10.9)
Asia	7	16	41	25	157.7
Europe:	8	19	(12)	(31)	(162.3)
MS Amlin	9	24	0	(23)	(97.8)
Americas	10	1	4	3	275.8
International life insurance ^(Note)	11	12	9	(3)	(24.4)

(Note) The category for "International life insurance" is added to the breakdown of "Net income attributable to owners of the parent".

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

The figures in the tables below are presented as 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 Results

(Yen in 100 millions)

	Items	Three months ended June 30, 2017	Three months ended June 30, 2018	Change	Change ratio
(+)	Net premiums written	3,770	3,764	(5)	(0.2)
(-)	Net claims paid	1,915	1,970	54	2.9
(-)	Loss adjustment expenses	213	215	2	1.2
(-)	Commissions and collection expenses	658	663	5	0.8
(-)	Operating expenses and general and administrative expenses for underwriting	516	534	17	3.3
	Underwriting profit before movements in reserves	465	380	(85)	(18.3)
(-)	Movement in outstanding claims	(58)	1	59	-
(-)	Movement in ordinary underwriting reserves	83	(26)	(109)	(131.6)
(-)	Movement in catastrophe reserve	124	133	9	7.3
(+)	Other	4	10	6	140.9
	Underwriting profit	320	281	(38)	(12.1)
(+)	Interest and dividends income	378	396	17	4.6
(-)	Transfer of investment income on deposit premiums from policyholders	85	79	(5)	(6.0)
	Net interest and dividends income (item 12 - item 13)	293	316	22	7.7
(+)	Gains/(losses) on sales of securities	271	153	(118)	(43.6)
(-)	Impairment losses on securities	5	10	5	97.4
(+)	Other	(4)	(3)	0	-
	Investment profit	555	455	(100)	(18.1)
(+)	Other ordinary profit/(loss)	2	(8)	(11)	(460.0)
	Ordinary profit	878	728	(150)	(17.1)
(+)	Extraordinary income/(losses)	(11)	(11)	0	-
	Gains/(losses) on reserve for price fluctuation	(9)	(10)	(1)	-
	Income before income taxes	867	717	(150)	(17.3)
(-)	Income taxes	200	165	(35)	(17.6)
	Net income	666	551	(114)	(17.2)

Ratios	Net loss ratio	Note 1	26	56.5 %	58.1 %	1.6 %
	Net expense ratio	Note 2	27	31.2 %	31.8 %	0.6 %
	Combined ratio	Note 3	28	87.7 %	89.9 %	2.2 %

Incurred losses (including loss adjustment expenses)	Note 4, 5	29	1,713.0	1,825	112	6.5
EI loss ratio	Note 4, 6	30	52.5 %	54.5 %	2.0 %	

- (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
4. The calculation is exclusive of residential earthquake insurance and CALI.
5. Incurred losses (including loss adjustment expenses) = net claims paid + loss adjustment expenses + movement in outstanding claims
6. EI loss ratio = incurred losses (including loss adjustment expenses) / earned premiums x 100
Earned premiums are calculated based on unearned premiums (excluding underwriting reserves for natural disasters), premium reserve, etc.

(2) Premiums written

(Yen in 100 millions)

	Net premiums written				Direct premiums written (excluding deposit premiums from policyholders)			
	Three months ended June 30, 2017		Three months ended June 30, 2018		Three months ended June 30, 2017		Three months ended June 30, 2018	
	Amount	Change ratio %	Amount	Change ratio %	Amount	Change ratio %	Amount	Change ratio %
Fire and allied	433	18.2	435	0.5	649	5.3	659	1.4
Marine	151	(4.6)	164	8.7	249	1.6	266	6.7
Personal accident	399	3.0	408	2.4	427	3.1	435	1.8
Voluntary automobile	1,692	1.0	1,685	(0.4)	1,696	0.9	1,692	(0.2)
CALI	462	11.3	397	(14.0)	441	1.8	418	(5.2)
Other	631	1.5	672	6.6	737	3.5	791	7.4
Total	3,770	3.9	3,764	(0.2)	4,202	2.4	4,263	1.5

(3) Net claims paid

(Yen in 100 millions)

	Three months ended June 30, 2017			Three months ended June 30, 2018			
	Amount	Change ratio %	Net loss ratio %	Amount	Change ratio %	Net loss ratio %	Change %
Fire and allied	275	8.7	66.0	298	8.3	70.9	4.9
Marine	79	(2.1)	55.5	63	(20.3)	41.1	(14.4)
Personal accident	175	0.3	48.4	179	2.0	48.1	(0.3)
Voluntary automobile	792	6.5	54.7	825	4.1	57.0	2.3
CALI	324	(5.1)	77.3	329	1.5	91.2	13.9
Other	267	8.0	44.7	274	2.6	43.1	(1.6)
Total	1,915	3.9	56.5	1,970	2.9	58.1	1.6

(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)

	Three months ended June 30, 2017			Three months ended June 30, 2018		
	Incurred losses	Net claims paid	Outstanding claims	Incurred losses	Net claims paid	Outstanding claims
Fire and allied	8	4	3	10	0	10
Voluntary automobile	0	0	0	0	-	0
Other	0	0	0	0	-	0
Total	9	4	4	10	0	10

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

(4) Expenses

<Company expenses>

(Yen in 100 millions)

	Items	Three months ended June 30, 2017			Three months ended June 30, 2018		
		Amount	Change	Change ratio %	Amount	Change	Change ratio %
Personnel expenses	1	438	(26)	(5.6)	435	(2)	(0.6)
Non-personnel expenses	2	285	7	2.7	310	24	8.6
Taxes and contributions	3	32	(0)	(0.2)	32	0	0.8
Total	4	756	(18)	(2.4)	778	22	2.9

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

<Expenses for underwriting>

(Yen in 100 millions)

	Items	Three months ended June 30, 2017			Three months ended June 30, 2018		
		Amount	Change	Change ratio %	Amount	Change	Change ratio %
Operating expenses and general and administrative expenses	5	516	(12)	(2.4)	534	17	3.3
Commissions and collection expenses	6	658	21	3.4	663	5	0.8
Total	7	1,175	8	0.7	1,198	22	1.9
Net expense ratio	8	31.2 %	(1.0) %		31.8 %	0.6 %	

(5) Catastrophe reserve

(Yen in 100 millions)

	March 31, 2018		June 30, 2018			
	Balance	Reserve ratio	Reversal	Provision	Balance	Reserve ratio
		%				%
Fire and allied	1,294	66.0	-	21	1,316	75.8
Marine	798	132.0	-	7	805	122.2
Personal accident	723	49.0	-	13	736	45.1
Voluntary automobile	764	11.6	-	54	818	12.1
Other	1,865	74.1	0	37	1,903	70.7
Total	5,446	41.4	0	133	5,580	41.5

(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 June 30, 2018 is calculated on an annualized basis using net premiums written multiplied by four as a denominator.

(6) Investment assets

(Yen in 100 millions)

	March 31, 2018	June 30, 2018	
			Change
Cash, deposits and savings	4,459	4,921	462
Investments in securities:	56,356	56,081	(275)
Domestic bonds	18,058	16,928	(1,130)
Domestic stocks	19,371	19,617	245
Foreign securities	18,548	19,148	600
Other securities	377	387	9
Loans	3,933	3,943	9
Land and buildings	1,942	1,928	(13)
Total	66,691	66,875	183

(Reference)

Long-term investment assets	12,087	11,951	(135)
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(7) Breakdown of interest and dividends income

(Yen in 100 millions)

	Three months ended June 30, 2017	Three months ended June 30, 2018	
			Change
Investments in securities:	349	367	18
Domestic bonds	48	45	(2)
Domestic stocks	222	241	19
Foreign securities	72	77	4
Other securities	6	3	(2)
Loans	10	8	(1)
Land and buildings	16	16	0
Other	2	3	0
Total	378	396	17

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

(Yen in 100 millions)

June 30, 2018	Cost	Fair value	Difference	Change from
				March 31, 2018
Domestic bonds	15,446	16,928	1,481	(26)
Domestic stocks	6,309	19,297	12,988	304
Foreign securities	4,907	4,957	49	71
Other securities	337	363	26	(0)
Total	27,000	41,546	14,546	349

(Yen in 100 millions)

March 31, 2018	Cost	Fair value	Difference
Domestic bonds	16,550	18,058	1,508
Domestic stocks	6,352	19,036	12,683
Foreign securities	5,250	5,229	(21)
Other securities	245	271	26
Total	28,398	42,595	14,197

(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)

	Three months ended June 30, 2017 Gains/(losses)	Three months ended June 30, 2018		
		Gains/(losses)	Gains	Losses
Domestic bonds	1	15	15	0
Domestic stocks	273	155	155	0
Foreign securities	(3)	(16)	4	21
Other securities	-	-	-	-
Total	271	153	174	21

Impairment losses on securities

(Yen in 100 millions)

	Three months ended June 30, 2017	Three months ended June 30, 2018	
			Change
Domestic bonds	-	-	-
Domestic stocks	-	10	10
Foreign securities	5	0	(5)
Other securities	-	-	-
Total	5	10	5

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

(1) Business Results

(Yen in 100 millions)

	Items	Three months ended June 30, 2017	Three months ended June 30, 2018	Change	Change ratio %
(+)	Net premiums written	3,122	3,097	(24)	(0.8)
(-)	Net claims paid	1,494	1,619	124	8.3
(-)	Loss adjustment expenses	148	154	6	4.3
(-)	Commissions and collection expenses	620	616	(3)	(0.6)
(-)	Operating expenses and general and administrative expenses for underwriting	428	423	(4)	(1.1)
	Underwriting profit before movements in reserves	431	284	(147)	(34.2)
(-)	Movement in outstanding claims	25	(19)	(44)	(176.5)
(-)	Movement in ordinary underwriting reserves	150	41	(108)	(72.2)
(-)	Movement in catastrophe reserve	113	107	(5)	(5.0)
(+)	Other	16	41	24	149.0
	Underwriting profit	159	195	36	22.7
(+)	Interest and dividends income	193	187	(6)	(3.4)
(-)	Transfer of investment income on deposit premiums from policyholders	42	40	(1)	(4.2)
	Net interest and dividends income (item 12 - item 13)	151	146	(4)	(3.2)
(+)	Gains/(losses) on sales of securities	18	41	22	117.6
(-)	Impairment losses on securities	0	0	0	46.0
(+)	Other	(27)	(21)	5	-
	Investment profit	142	165	23	16.4
(+)	Other ordinary profit/(loss)	8	3	(4)	(54.5)
	Ordinary profit	309	364	54	17.7
(+)	Extraordinary income/(losses):	(14)	(20)	(6)	-
	Gains/(losses) on reserve for price fluctuation	(4)	(4)	0	-
	Income before income taxes	295	344	48	16.5
(-)	Income taxes	70	83	12	17.8
	Net income	224	260	36	16.1

Ratios	Net loss ratio	Note 1	26	52.6 %	57.3 %	4.7 %	
	Net expense ratio	Note 2	27	33.6 %	33.6 %	0.0 %	
	Combined ratio	Note 3	28	86.2 %	90.9 %	4.7 %	

Incurred losses (including loss adjustment expenses)	Note 4, 5	29	1,357	1,444	87	6.4
	EI loss ratio	Note 4, 6	30	52.8 %	54.5 %	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
4. The calculation is exclusive of residential earthquake insurance and CALI.
5. Incurred losses (including loss adjustment expenses) = net claims paid + loss adjustment expenses + movement in outstanding claims
6. EI loss ratio = incurred losses (including loss adjustment expenses) / earned premiums x 100
Earned premiums are calculated based on unearned premiums (excluding underwriting reserves for natural disasters), premium reserve, etc.

(2) Premiums written

(Yen in 100 millions)

	Net premiums written				Direct premiums written (excluding deposit premiums from policyholders)			
	Three months ended June 30, 2017		Three months ended June 30, 2018		Three months ended June 30, 2017		Three months ended June 30, 2018	
	Amount	Change ratio %	Amount	Change ratio %	Amount	Change ratio %	Amount	Change ratio %
Fire and allied	402	24.4	406	1.0	469	6.5	484	3.3
Marine	18	46.7	19	1.6	(0)	-	0	-
Personal accident	166	(0.7)	173	4.2	178	(0.5)	182	2.5
Voluntary automobile	1,767	(0.1)	1,775	0.5	1,696	(0.1)	1,691	(0.3)
CALI	419	9.9	363	(13.3)	466	0.2	436	(6.3)
Other	346	(0.4)	358	3.3	398	5.0	410	3.0
Total	3,122	3.9	3,097	(0.8)	3,208	1.5	3,205	(0.1)

(3) Net claims paid

(Yen in 100 millions)

	Three months ended June 30, 2017			Three months ended June 30, 2018			
	Amount	Change ratio %	Net loss ratio %	Amount	Change ratio %	Net loss ratio %	Change %
Fire and allied	181	9.9	47.2	270	49.0	68.8	21.6
Marine	7	32.3	41.1	8	4.9	42.4	1.3
Personal accident	65	(0.9)	43.5	64	(2.7)	41.0	(2.5)
Voluntary automobile	818	2.4	51.8	861	5.3	54.3	2.5
CALI	284	(6.9)	74.0	284	0.0	85.2	11.2
Other	136	(8.9)	42.2	130	(4.4)	39.2	(3.0)
Total	1,494	0.2	52.6	1,619	8.3	57.3	4.7

(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)

	Three months ended June 30, 2017			Three months ended June 30, 2018		
	Incurred losses	Net claims paid	Outstanding claims	Incurred losses	Net claims paid	Outstanding claims
Fire and allied	0	0	0	1	0	1
Voluntary automobile	1	0	1	-	-	-
Other	0	-	0	0	0	0
Total	1	0	1	1	0	1

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

(4) Expenses

<Company expenses>

(Yen in 100 millions)

	Items	Three months ended June 30, 2017			Three months ended June 30, 2018		
		Amount	Change	Change ratio %	Amount	Change	Change ratio %
Personnel expenses	1	323	8	2.7	312	(11)	(3.6)
Non-personnel expenses	2	247	(13)	(5.2)	262	14	6.0
Taxes and contributions	3	28	(0)	(2.4)	28	0	0.1
Total	4	600	(5)	(1.0)	603	3	0.5

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

<Expenses for underwriting>

(Yen in 100 millions)

	Items	Three months ended June 30, 2017			Three months ended June 30, 2018		
		Amount	Change	Change ratio %	Amount	Change	Change ratio %
Operating expenses and general and administrative expenses	5	428	(12)	(2.8)	423	(4)	(1.1)
Commissions and collection expenses	6	620	34	5.9	616	(3)	(0.6)
Total	7	1,048	21	2.1	1,039	(8)	(0.8)
Net expense ratio	8	33.6 %	(0.6) %		33.6 %	0.0 %	

(5) Catastrophe reserve

(Yen in 100 millions)

	March 31, 2018		June 30, 2018			
	Balance	Reserve ratio	Reversal	Provision	Balance	Reserve ratio
		%				%
Fire and allied	1,374	79.0	6	32	1,401	86.3
Marine	140	187.5	0	0	140	182.8
Personal accident	670	109.4	-	5	676	97.2
Voluntary automobile	542	7.9	-	56	599	8.4
Other	695	54.5	0	18	714	49.8
Total	3,424	32.5	6	114	3,532	32.3

(Note) Reserve ratio = catastrophe reserve / net premiums written (excluding premiums of residential earthquake insurance and CALI) x 100
Reserve ratio for June 30, 2018 is calculated on an annualized basis using net premiums written multiplied by four as a denominator.

(6) Investment assets

(Yen in 100 millions)

	March 31, 2018	June 30, 2018	
			Change
Cash, deposits and savings	1,674	1,464	(210)
Investments in securities:	25,971	26,039	68
Domestic bonds	9,253	9,075	(178)
Domestic stocks	9,227	9,188	(38)
Foreign securities	6,840	7,103	262
Other securities	649	672	22
Loans	2,000	1,977	(23)
Land and buildings	1,594	1,577	(17)
Total	31,240	31,058	(182)

(Reference)

Long-term investment assets	4,216	4,162	(53)
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(7) Breakdown of interest and dividends income

(Yen in 100 millions)

	Three months ended June 30, 2017	Three months ended June 30, 2018	
			Change
Investments in securities:	173	168	(5)
Domestic bonds	25	23	(1)
Domestic stocks	97	106	9
Foreign securities	43	36	(7)
Other securities	7	1	(6)
Loans	6	5	(0)
Land and buildings	11	11	0
Other	2	1	(1)
Total	193	187	(6)

(8) Investments in securities

Unrealized gains and losses on investments in securities

(Yen in 100 millions)

June 30, 2018	Cost	Fair value	Difference	Change from
				March 31, 2018
Domestic bonds	8,461	9,075	613	0
Domestic stocks	4,095	8,931	4,836	(14)
Foreign securities	5,955	6,279	323	53
Other securities	553	611	57	4
Total	19,065	24,896	5,831	43

(Yen in 100 millions)

March 31, 2018	Cost	Fair value	Difference
Domestic bonds	8,640	9,253	613
Domestic stocks	4,124	8,975	4,851
Foreign securities	6,026	6,297	270
Other securities	538	592	53
Total	19,330	25,119	5,788

(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)

	Three months ended June 30, 2017 Gains/(losses)	Three months ended June 30, 2018 Gains/(losses)	Three months ended June 30, 2018	
			Gains	Losses
Domestic bonds	0	(1)	4	5
Domestic stocks	26	36	36	0
Foreign securities	(8)	6	6	0
Other securities	-	-	-	-
Total	18	41	47	5

Impairment losses on securities

(Yen in 100 millions)

	Three months ended June 30, 2017	Three months ended June 30, 2018	Change
Domestic bonds	-	-	-
Domestic stocks	0	0	0
Foreign securities	0	-	(0)
Other securities	-	-	-
Total	0	0	0

4. Supplementary Information

(1) Supplementary Information on Consolidated Business Results

(a) Consolidated Business Results

(Yen in 100 millions)

	Three months ended June 30, 2017	Three months ended June 30, 2018	Change	Change ratio
Ordinary income and expenses:				
Underwriting income:	12,474	13,134	659	5.3 %
Net premiums written	9,552	9,705	152	1.6
Deposit premiums from policyholders	229	211	(17)	(7.7)
Life insurance premiums	2,472	2,905	432	17.5
Reversal of outstanding claims	85	75	(10)	(12.0)
Underwriting expenses:	11,819	11,398	(421)	(3.6)
Net claims paid	4,459	4,758	298	6.7
Loss adjustment expenses	409	421	11	2.9
Commissions and collection expenses	1,750	1,781	31	1.8
Maturity refunds to policyholders	556	486	(69)	(12.6)
Life insurance claims	864	988	124	14.4
Provision for underwriting reserves	3,766	2,949	(817)	(21.7)
Investment income:	2,294	1,450	(843)	(36.8)
Interest and dividends income	853	900	47	5.5
Investment gains on money trusts	237	158	(78)	(33.0)
Gains on sales of securities	350	261	(88)	(25.3)
Investment gains on separate accounts	746	195	(551)	(73.8)
Investment expenses:	96	248	152	158.6
Investment losses on money trusts	-	34	34	-
Losses on sales of securities	21	44	23	110.7
Impairment losses on securities	8	14	6	79.2
Operating expenses and general and administrative expenses	1,615	1,686	71	4.4
Other ordinary income and expenses:	7	2	(5)	(68.3)
Gains/(losses) on equity method investments	3	(1)	(5)	(151.3)
Ordinary profit	1,245	1,254	8	0.7
Extraordinary income and losses:				
Extraordinary income	0	0	(0)	(18.7)
Extraordinary losses	34	124	90	263.0
Extraordinary income/(losses)	(33)	(124)	(90)	-
Income before income taxes	1,211	1,129	(82)	(6.8)
Income taxes	291	287	(3)	(1.2)
Net income	920	841	(78)	(8.5)
Net income attributable to non-controlling interests	3	3	(0)	(16.0)
Net income attributable to owners of the parent	916	838	(78)	(8.5)

(Note) The figures in the above table are presented as 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.

(b) 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	Three months ended June 30, 2017			Three months ended June 30, 2018		
	Amount	Share (%)	Change ratio (%)	Amount	Share (%)	Change ratio (%)
Fire and allied	155,266	15.5	1.3	174,199	16.8	12.2
Marine	77,772	7.7	18.8	69,563	6.7	(10.6)
Personal accident	89,285	8.9	(2.2)	89,393	8.6	0.1
Voluntary automobile	408,266	40.7	0.1	412,546	39.7	1.0
CALI	90,773	9.0	1.0	85,532	8.2	(5.8)
Other	182,754	18.2	2.7	207,451	20.0	13.5
Total:	1,004,118	100.0	1.9	1,038,686	100.0	3.4
Deposit premiums from policyholders	22,958	2.3	(15.4)	21,182	2.0	(7.7)

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

Voluntary Automobile	409,160		0.3	414,211		1.2
Total	1,005,013		2.0	1,040,352		3.5

Net Premiums Written by Line of Insurance

(Yen in millions)

Lines of Insurance	Three months ended June 30, 2017			Three months ended June 30, 2018		
	Amount	Share (%)	Change ratio (%)	Amount	Share (%)	Change ratio (%)
Fire and allied	139,642	14.6	(2.4)	149,278	15.4	6.9
Marine	67,708	7.1	20.7	53,811	5.5	(20.5)
Personal accident	69,815	7.3	5.8	71,979	7.4	3.1
Voluntary automobile	426,072	44.6	0.2	426,959	44.1	0.2
CALI	88,285	9.3	10.7	76,205	7.9	(13.7)
Other	162,862	17.1	(6.5)	190,681	19.7	17.1
Total	954,386	100.0	1.1	968,915	100.0	1.5

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

Voluntary automobile	426,966		0.4	428,624		0.4
Total	955,281		1.2	970,580		1.6

Net Claims Paid by Line of Insurance

(Yen in millions)

Lines of Insurance	Three months ended June 30, 2017			Three months ended June 30, 2018		
	Amount	Share (%)	Change ratio (%)	Amount	Share (%)	Change ratio (%)
Fire and allied	72,121	16.2	14.8	94,833	19.9	31.5
Marine	25,202	5.6	14.2	18,071	3.8	(28.3)
Personal accident	26,631	6.0	(1.0)	27,554	5.8	3.5
Voluntary automobile	199,905	44.8	7.2	209,176	44.0	4.6
CALI	60,981	13.7	(6.0)	61,475	12.9	0.8
Other	61,117	13.7	0.1	64,706	13.6	5.9
Total	445,959	100.0	5.1	475,818	100.0	6.7

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

(c) Investments in Securities

1. Trading securities

(Yen in millions)

	March 31, 2018		June 30, 2018	
	Carrying amount	Unrealized gains/(losses) included in income	Carrying amount	Unrealized gains/(losses) included in income
Trading securities	3,335,844	(1,107)	3,255,365	(13,283)

(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, 2018			June 30, 2018		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Domestic Bonds	1,046,667	1,249,687	203,019	1,044,838	1,248,840	204,001
Other Securities	10,237	10,237	-	12,367	12,367	-
Total	1,056,905	1,259,924	203,019	1,057,205	1,261,207	204,001

(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, 2018			June 30, 2018		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Domestic Bonds	493,613	500,175	6,561	551,567	562,155	10,587
Foreign Securities	1,574,491	1,613,671	39,179	1,607,868	1,644,250	36,381
Total	2,068,105	2,113,846	45,741	2,159,436	2,206,405	46,968

4. Available-for-sale securities

(Yen in millions)

Items	March 31, 2018			June 30, 2018		
	Cost	Carrying amount	Difference	Cost	Carrying amount	Difference
Domestic Bonds	3,935,970	4,248,127	312,156	3,823,972	4,131,578	307,605
Domestic Stocks	1,116,058	2,802,126	1,686,068	1,107,981	2,823,347	1,715,365
Foreign Securities	2,253,413	2,295,745	42,331	2,244,319	2,298,249	53,930
Other Securities	182,111	191,404	9,293	195,481	205,695	10,213
Total	7,487,554	9,537,404	2,049,850	7,371,755	9,458,871	2,087,115

(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, 2018: ¥468 million (comprised of Foreign securities only)

For the three months ended June 30, 2018: ¥376 million (comprised of ¥316 million on Domestic stocks and ¥59 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, 2018	June 30, 2018
(Assets)		
Cash, deposits and savings	421,714	458,580
Receivables under resale agreements	6,999	6,999
Monetary claims bought	13,598	22,758
Money trusts	3,728	3,896
Investments in securities	5,635,635	5,608,103
Loans	393,362	394,334
Tangible fixed assets	205,648	204,309
Intangible fixed assets	45,317	45,078
Other assets	328,137	300,075
Customers' liabilities under acceptances and guarantees	47,243	47,215
Bad debt reserve	(3,169)	(3,132)
Total assets	7,098,216	7,088,218
(Liabilities)		
Policy liabilities:	3,893,910	3,889,617
Outstanding claims	641,711	641,869
Underwriting reserves	3,252,198	3,247,748
Bonds issued	386,191	386,191
Other liabilities:	507,840	473,600
Income taxes payable	48,653	15,360
Lease obligations	1,372	1,260
Asset retirement obligations	3,862	3,882
Other liabilities	453,952	453,097
Reserve for pension and retirement benefits	139,476	139,006
Reserve for retirement benefits for officers	516	463
Accrued bonuses for employees	10,145	123
Reserve for reorganization by function	2,261	2,110
Reserves under the special laws:	71,813	72,834
Reserve for price fluctuation	71,813	72,834
Deferred tax liabilities	161,817	171,952
Acceptances and guarantees	47,243	47,215
Total liabilities	5,221,215	5,183,115
(Net assets)		
Common stock	139,595	139,595
Capital surplus	93,107	93,107
Retained earnings	589,634	591,545
Total shareholders' equity	822,337	824,248
Net unrealized gains/(losses) on investments in securities	1,022,583	1,049,361
Net deferred gains/(losses) on hedges	32,079	31,493
Total valuation and translation adjustments	1,054,662	1,080,854
Total net assets	1,877,000	1,905,103
Total liabilities and net assets	7,098,216	7,088,218

Non-Consolidated Statements of Income

(Yen in millions)

Items	Three months ended June 30, 2017	Three months ended June 30, 2018
Ordinary income:	467,608	455,194
Underwriting income:	406,949	402,584
Net premiums written	376,111	374,774
Deposit premiums from policyholders	16,129	15,066
Investment income on deposit premiums from policyholders	8,511	7,998
Reversal of outstanding claims	5,831	-
Reversal of underwriting reserves	-	4,450
Investment income:	59,385	51,557
Interest and dividends income	37,876	39,636
Investment gains on money trusts	179	174
Gains on sales of securities	28,072	17,472
Transfer of investment income on deposit premiums from policyholders	(8,511)	(7,998)
Other ordinary income	1,273	1,053
Ordinary expenses:	379,711	382,349
Underwriting expenses:	321,741	320,120
Net claims paid	191,573	197,048
Loss adjustment expenses	21,307	21,556
Commissions and collection expenses	65,853	66,399
Maturity refunds to policyholders	40,375	34,869
Provision for outstanding claims	-	157
Provision for underwriting reserves	2,424	-
Investment expenses:	2,003	4,012
Losses on sales of securities	892	2,133
Impairment losses on securities	524	1,035
Operating expenses and general and administrative expenses	54,324	56,288
Other ordinary expenses:	1,642	1,928
Interest expense	1,573	1,915
Ordinary profit	87,896	72,844
Extraordinary income	20	22
Extraordinary losses	1,161	1,143
Income before income taxes	86,756	71,723
Income taxes	20,069	16,531
Net income	66,686	55,191

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, 2018	June 30, 2018
(A) Total amount of solvency margin	3,293,687	3,418,211
Total net assets	769,056	824,248
Reserve for price fluctuation	71,813	72,834
Contingency reserve	-	-
Catastrophe reserve	552,914	566,428
General bad debt reserve	156	100
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)	1,276,455	1,309,882
Net unrealized gains/(losses) on land	50,064	50,065
Excess of policyholders' contract deposits (a)	-	-
Subordinated debts, etc. (b)	386,191	386,191
Amount excluded from the margin, out of (a) and (b)	-	-
Deductions	6,642	6,642
Others	193,676	215,102
(B) Total amount of risks $\sqrt{(R_1 + R_2)^2 + (R_3 + R_4)^2} + R_5 + R_6$	939,444	954,369
General insurance risk (R ₁)	128,268	128,973
Insurance risk of third sector insurance contracts (R ₂)	-	-
Assumed interest rate risk (R ₃)	15,571	15,305
Asset management risk (R ₄)	771,448	793,719
Business administration risk (R ₅)	20,731	21,041
Catastrophe risk (R ₆)	121,308	114,086
(C) Solvency margin ratio [(A) / {(B) x 1/2}] x 100	701.1 %	716.3 %

(Note) The non-consolidated solvency margin ratio for June 30, 2018 is calculated by partially applying the simplified method where components such as the catastrophe risk (R₆) are calculated based on the data used for March 31, 2018.

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

(Yen in millions)

Items	March 31, 2018	June 30, 2018
(Assets)		
Cash, deposits and savings	165,103	143,993
Money trusts	2,383	2,472
Investments in securities	2,597,124	2,603,955
Loans	200,051	197,713
Tangible fixed assets	171,168	168,776
Intangible fixed assets	27,524	29,564
Other assets	296,367	303,239
Prepaid pension expenses	23,672	22,879
Customers' liabilities under acceptances and guarantees	4,500	6,500
Bad debt reserve	(1,226)	(1,220)
Total assets	3,486,669	3,477,874
(Liabilities)		
Policy liabilities:	2,483,038	2,490,789
Outstanding claims	572,979	571,050
Underwriting reserves	1,910,058	1,919,739
Bonds issued	22,000	22,000
Other liabilities:	159,007	143,347
Income taxes payable	17,450	8,664
Lease obligations	14	10
Asset retirement obligations	829	824
Other liabilities	140,713	133,847
Reserve for pension and retirement benefits	26,891	28,050
Accrued bonuses for employees	5,859	229
Reserve for reorganization by function	1,527	1,324
Reserves under the special laws:	1,688	2,120
Reserve for price fluctuation	1,688	2,120
Deferred tax liabilities	1,090	2,293
Acceptances and guarantees	4,500	6,500
Total liabilities	2,705,604	2,696,655
(Net assets)		
Common stock	100,005	100,005
Capital surplus	81,207	81,207
Retained earnings	172,552	169,282
Total shareholders' equity	353,765	350,495
Net unrealized gains/(losses) on investments in securities	427,298	430,723
Total valuation and translation adjustments	427,298	430,723
Total net assets	781,064	781,218
Total liabilities and net assets	3,486,669	3,477,874

Non-Consolidated Statements of Income

(Yen in millions)

Items	Three months ended June 30, 2017	Three months ended June 30, 2018
Ordinary income:	344,707	346,526
Underwriting income:	324,220	324,787
Net premiums written	312,238	309,744
Deposit premiums from policyholders	6,828	6,116
Investment income on deposit premiums from policyholders	4,249	4,070
Reversal of outstanding claims	-	1,929
Investment income:	18,410	19,656
Interest and dividends income	19,381	18,721
Investment gains on money trusts	0	0
Gains on sales of securities	3,205	4,713
Transfer of investment income on deposit premiums from policyholders	(4,249)	(4,070)
Other ordinary income	2,075	2,082
Ordinary expenses:	313,710	310,043
Underwriting expenses:	265,092	262,858
Net claims paid	149,442	161,919
Loss adjustment expenses	14,822	15,461
Commissions and collection expenses	62,012	61,640
Maturity refunds to policyholders	15,265	13,788
Provision for outstanding claims	2,521	-
Provision for underwriting reserves	20,639	9,680
Investment expenses:	2,876	1,801
Losses on sales of securities	1,308	585
Impairment losses on securities	39	57
Operating expenses and general and administrative expenses	45,205	44,891
Other ordinary expenses:	536	492
Interest expense	187	99
Ordinary profit	30,996	36,482
Extraordinary income	90	10
Extraordinary losses	1,549	2,090
Income before income taxes	29,537	34,402
Income taxes	7,079	8,339
Net income	22,458	26,063

Non-Consolidated Solvency Margin Ratio

(Yen in millions)

	March 31, 2018	June 30, 2018
(A) Total amount of solvency margin	1,268,359	1,319,641
Total net assets	324,431	350,495
Reserve for price fluctuation	1,688	2,120
Contingency reserve	747	747
Catastrophe reserve	347,678	358,565
General bad debt reserve	199	202
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)	521,401	525,566
Net unrealized gains/(losses) on land	18,026	18,663
Excess of policyholders' contract deposits (a)	-	-
Subordinated debts, etc. (b)	17,600	17,600
Amount excluded from the margin, out of (a) and (b)	-	-
Deductions	3,824	4,823
Others	40,411	50,502
(B) Total amount of risks $\sqrt{(R_1 + R_2)^2 + (R_3 + R_4)^2} + R_5 + R_6$	323,538	337,440
General insurance risk (R ₁)	105,821	106,183
Insurance risk of third sector insurance contracts (R ₂)	-	-
Assumed interest rate risk (R ₃)	7,831	7,692
Asset management risk (R ₄)	229,683	236,240
Business administration risk (R ₅)	7,977	8,265
Catastrophe risk (R ₆)	55,539	63,134
(C) Solvency margin ratio [(A) / {(B) x 1/2}] x 100	784.0 %	782.1 %

(Note) The non-consolidated solvency margin ratio for June 30, 2018 is calculated by partially applying the simplified method where components such as the catastrophe risk (R₆) are calculated based on the data used for March 31, 2018.

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

Non-Consolidated Balance Sheets

(Yen in millions)

Items	March 31, 2018	June 30, 2018
(Assets)		
Cash, deposits and savings	18,067	17,670
Investments in securities	33,621	34,142
Tangible fixed assets	377	365
Intangible fixed assets	3,307	3,523
Other assets	6,124	5,288
Bad debt reserve	(9)	(10)
Total assets	61,489	60,981
(Liabilities)		
Policy liabilities:	45,870	44,847
Outstanding claims	24,796	24,674
Underwriting reserves	21,073	20,173
Other liabilities:	1,422	1,126
Income taxes payable	224	53
Asset retirement obligations	17	17
Other liabilities	1,180	1,055
Reserve for pension and retirement benefits	104	118
Accrued bonuses for employees	263	-
Reserves under the special laws:	63	65
Reserve for price fluctuation	63	65
Deferred tax liabilities	93	91
Total liabilities	47,819	46,248
(Net assets)		
Common stock	39,106	39,106
Capital surplus	9,006	9,006
Retained earnings	(34,492)	(33,426)
Total shareholders' equity	13,619	14,685
Net unrealized gains/(losses) on investments in securities	50	46
Total valuation and translation adjustments	50	46
Total net assets	13,670	14,732
Total liabilities and net assets	61,489	60,981

Non-Consolidated Statements of Income

(Yen in millions)

Items	Three months ended June 30, 2017	Three months ended June 30, 2018
Ordinary income:	10,283	10,364
Underwriting income:	10,261	10,350
Net premiums written	9,474	9,322
Investment income on deposit premiums from policyholders	4	4
Reversal of outstanding claims	-	122
Reversal of underwriting reserves	782	900
Investment income:	15	10
Interest and dividends income	20	15
Transfer of investment income on deposit premiums from policyholders	(4)	(4)
Other ordinary income	6	4
Ordinary expenses:	8,894	9,293
Underwriting expenses:	6,956	6,837
Net claims paid	6,089	6,104
Loss adjustment expenses	652	659
Commissions and collection expenses	70	72
Provision for outstanding claims	143	-
Investment expenses	-	-
Operating expenses and general and administrative expenses	1,936	2,455
Other ordinary expenses	0	1
Ordinary profit	1,388	1,071
Extraordinary income	-	-
Extraordinary losses	1	1
Income before income taxes	1,387	1,069
Income taxes	13	3
Net income	1,373	1,066

Non-Consolidated Solvency Margin Ratio

(Yen in millions)

	March 31, 2018	June 30, 2018
(A) Total amount of solvency margin	14,992	15,157
Total net assets	13,619	14,685
Reserve for price fluctuation	63	65
Contingency reserve	0	0
Catastrophe reserve	1,242	345
General bad debt reserve	3	2
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)	63	58
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 $\sqrt{(R_1 + R_2)^2 + (R_3 + R_4)^2} + R_5 + R_6$	6,553	6,554
General insurance risk (R ₁)	5,978	5,978
Insurance risk of third sector insurance contracts (R ₂)	-	-
Assumed interest rate risk (R ₃)	0	0
Asset management risk (R ₄)	853	859
Business administration risk (R ₅)	213	214
Catastrophe risk (R ₆)	300	300
(C) Solvency margin ratio [(A) / {(B) x 1/2}] x 100	457.5 %	462.5 %

(Note) The non-consolidated solvency margin ratio for June 30, 2018 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, 2018	June 30, 2018
(Assets)		
Cash, deposits and savings	164,811	114,875
Receivables under resale agreements	-	342,466
Receivables under securities borrowing transactions	309,644	-
Investments in securities	3,260,140	3,314,915
Loans	57,079	57,035
Tangible fixed assets	3,997	3,757
Intangible fixed assets	26,417	28,727
Due from agencies	127	143
Reinsurance accounts receivable	663	61
Other assets	46,963	40,269
Bad debt reserve	(114)	(109)
Total assets	3,869,730	3,902,144
(Liabilities)		
Policy liabilities:	3,182,433	3,232,580
Outstanding claims	28,102	27,032
Underwriting reserves	3,143,804	3,194,896
Reserve for dividends to policyholders	10,526	10,650
Due to agencies	4,562	3,860
Reinsurance accounts payable	263	214
Other liabilities:	395,303	377,550
Payables under repurchase agreements	-	344,251
Payables under securities lending transactions	381,139	22,969
Income taxes payable	758	678
Lease obligations	2,364	2,178
Asset retirement obligations	432	432
Other liabilities	10,609	7,039
Reserve for pension and retirement benefits	3,137	3,262
Reserve for retirement benefits for officers	22	20
Reserves under the special laws:	6,862	7,081
Reserve for price fluctuation	6,862	7,081
Deferred tax liabilities	12,619	12,414
Total liabilities	3,605,205	3,636,984
(Net assets)		
Common stock	85,500	85,500
Capital surplus	93,688	93,688
Retained earnings	7,870	9,032
Total shareholders' equity	187,058	188,220
Net unrealized gains/(losses) on investments in securities	77,466	76,938
Total valuation and translation adjustments	77,466	76,938
Total net assets	264,524	265,159
Total liabilities and net assets	3,869,730	3,902,144

Non-Consolidated Statements of Income

(Yen in millions)

Items	Three months ended June 30, 2017	Three months ended June 30, 2018
Ordinary income:	134,840	132,479
Insurance premiums and others:	118,683	116,771
Insurance premiums	118,268	116,702
Investment income:	13,927	13,960
Interest and dividends income	10,943	11,255
Gains on sales of securities	2,979	2,698
Other ordinary income:	2,229	1,748
Reversal of outstanding claims	1,428	1,069
Ordinary expenses:	129,878	127,453
Insurance claims and others:	47,550	51,537
Insurance claims	11,426	10,186
Annuity payments	4,023	4,400
Benefits	4,402	5,032
Surrender benefits	26,135	30,762
Other refunds	1,288	827
Provision for underwriting reserves and others:	58,296	51,092
Provision for underwriting reserves	58,296	51,092
Provision for interest portion of reserve for dividends to policyholders	0	0
Investment expenses:	1,187	1,842
Interest expense	16	0
Losses on sales of securities	633	1,482
Losses on derivative transactions	519	348
Operating expenses	19,546	19,732
Other ordinary expenses	3,297	3,250
Ordinary profit	4,961	5,025
Extraordinary income	1	0
Extraordinary losses	192	414
Provision for reserve for dividends to policyholders	1,520	1,786
Income before income taxes	3,249	2,825
Income taxes	807	685
Net income	2,441	2,140

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

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

	March 31, 2018		June 30, 2018	
	Number of policies (in thousands)	Amount	Number of policies (in thousands)	Amount
Individual insurance	3,057	230,952	3,094	234,108
Individual annuities	182	7,115	181	7,037
Group insurance	-	78,598	-	81,046
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)

	Three months ended June 30, 2017				Three months ended June 30, 2018			
	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	62	6,272	6,272	-	81	9,127	9,127	-
Individual annuities	0	26	26	-	0	18	18	-
Group insurance	-	383	383	-	-	222	222	-
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, 2018	June 30, 2018
Individual insurance	3,693	3,711
Individual annuities	430	425
Total:	4,123	4,137
Medical coverage, living benefits, etc.	967	991

(2) New policies (Yen in 100 millions)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Individual insurance	83	93
Individual annuities	1	0
Total:	84	94
Medical coverage, living benefits, etc.	30	40

(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)

	Three months ended June 30, 2017	Three months ended June 30, 2018	Change
Fundamental revenues:	131,860	129,795	(2,064)
Insurance premiums and others	118,683	116,771	(1,911)
Fundamental expenses	128,046	124,957	(3,089)
Fundamental profit	3,813	4,838	1,024
Capital gains/(losses)	1,826	851	(974)
Non-recurring gains/(losses)	(678)	(664)	13
Ordinary profit	4,961	5,025	64
Extraordinary income	1	0	(1)
Extraordinary losses	192	414	221
Provision for reserve for dividends to policyholders	1,520	1,786	265
Income taxes	807	685	(122)
Net income	2,441	2,140	(301)

(Note) Since the period for three months ended June 30, 2018, the disclosure method of the breakdown of ordinary profit relating to the effect of change in the exchange rates related to foreign currency denominated insurance contracts and the effect of change in surrender values associated with market value adjustment has been modified. As a result, fundamental profit increased by ¥15 million and capital gains decreased by the same amount for the three months ended June 30, 2018, compared to those before the modification.

Non-Consolidated Solvency Margin Ratio

(Yen in millions)

	March 31, 2018	June 30, 2018
(A) Total amount of solvency margin	484,904	487,627
Total capital	186,080	187,703
Reserve for price fluctuation	6,862	7,081
Contingency reserve	32,890	33,555
General bad debt reserve	23	18
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions) x 90%	96,832	96,173
Net unrealized gains/(losses) on land x 85%	-	-
Excess of continued Zillmerized reserve (a)	159,410	159,533
Subordinated debts, etc. (b)	-	-
Amount excluded from the margin, out of (a) and (b)	-	-
Brought in capital	-	-
Deductions	-	-
Others	2,804	3,561
(B) Total amount of risks $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	56,163	56,686
Insurance risk (R ₁)	17,411	17,723
Insurance risk of third sector insurance contracts (R ₈)	11,658	11,986
Assumed interest rate risk (R ₂)	3,115	3,123
Minimum guarantee risk (R ₇)	-	-
Asset management risk (R ₃)	43,169	43,355
Business administration risk (R ₄)	1,507	1,523
(C) Solvency margin ratio [(A) / {(B) x 1/2}] x 100	1,726.7 %	1,720.4 %

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

Non-Consolidated Balance Sheets

(Yen in millions)

Items	March 31, 2018	June 30, 2018
(Assets)		
Cash, deposits and savings	178,099	153,039
Monetary claims bought	39,999	39,999
Money trusts	1,037,295	1,123,790
Investments in securities	4,612,983	4,692,576
Loans	239,778	239,974
Tangible fixed assets	892	946
Intangible fixed assets	6,638	7,027
Reinsurance accounts receivable	3,813	4,463
Other assets	41,616	45,983
Deferred tax assets	40,636	40,770
Total assets	6,201,753	6,348,572
(Liabilities)		
Policy liabilities:	5,916,715	6,060,281
Outstanding claims	17,382	15,894
Underwriting reserves	5,899,332	6,044,387
Due to agencies	4,555	3,884
Reinsurance accounts payable	4,244	4,208
Other liabilities:	39,648	36,409
Income taxes payable	1,501	-
Lease obligations	833	821
Asset retirement obligations	134	135
Other liabilities	37,179	35,452
Reserves under the special laws:	72,500	79,806
Reserve for price fluctuation	72,500	79,806
Total liabilities	6,037,664	6,184,590
(Net assets)		
Common stock	41,060	41,060
Capital surplus	24,735	24,735
Retained earnings	89,878	90,117
Total shareholders' equity	155,673	155,912
Net unrealized gains/(losses) on investments in securities	8,207	7,889
Net deferred gains/(losses) on hedges	207	180
Total valuation and translation adjustments	8,414	8,069
Total net assets	164,088	163,982
Total liabilities and net assets	6,201,753	6,348,572

Non-Consolidated Statements of Income

(Yen in millions)

Items	Three months ended June 30, 2017	Three months ended June 30, 2018
Ordinary income:	344,886	307,187
Insurance premiums and others:	217,542	251,479
Insurance premiums	213,319	245,841
Investment income:	125,995	53,456
Interest and dividends income	18,057	21,571
Investment gains on money trusts	23,525	12,302
Investment gains on separate accounts	74,698	19,574
Other ordinary income:	1,348	2,251
Reversal of outstanding claims	333	1,488
Ordinary expenses:	339,501	290,475
Insurance claims and others:	131,541	127,926
Insurance claims	16,982	21,890
Annuity payments	19,674	20,265
Benefits	34,239	41,803
Surrender benefits	32,190	25,436
Other refunds	559	827
Provision for underwriting reserves and others:	195,394	145,054
Provision for underwriting reserves	195,394	145,054
Investment expenses:	6	2,607
Interest expense	0	0
Operating expenses	10,951	12,845
Other ordinary expenses	1,607	2,041
Ordinary profit	5,385	16,712
Extraordinary income	-	-
Extraordinary losses	658	7,306
Income before income taxes	4,726	9,406
Income taxes	1,325	2,547
Net income	3,401	6,858

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

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

	March 31, 2018		June 30, 2018	
	Number of policies (in thousands)	Amount	Number of policies (in thousands)	Amount
Individual insurance	687	37,873	709	39,285
Individual annuities	338	22,745	346	23,001
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)

	Three months ended June 30, 2017				Three months ended June 30, 2018			
	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	27	1,752	1,752	-	25	1,711	1,711	-
Individual annuities	8	378	378	-	14	769	769	-
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, 2018	June 30, 2018
Individual insurance	2,641	2,756
Individual annuities	2,307	2,334
Total:	4,948	5,091
Medical coverage, living benefits, etc.	0	0

(2) New policies (Yen in 100 millions)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Individual insurance	138	135
Individual annuities	68	108
Total:	207	244
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)

	Three months ended June 30, 2017	Three months ended June 30, 2018	Change
Fundamental revenues:	340,776	299,928	(40,847)
Insurance premiums and others	217,542	251,479	33,937
Fundamental expenses	337,383	287,158	(50,225)
Fundamental profit	3,392	12,770	9,377
Capital gains/(losses)	4,110	5,813	1,703
Non-recurring gains/(losses)	(2,117)	(1,871)	245
Ordinary profit	5,385	16,712	11,326
Extraordinary income	-	-	-
Extraordinary losses	658	7,306	6,647
Provision for reserve for dividends to policyholders	-	-	-
Income taxes	1,325	2,547	1,222
Net income	3,401	6,858	3,456

(Note) Since the period for six months ended September 30, 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 decreased by ¥575 million and capital gains increased by the same amount for the three months ended June 30, 2018, compared to those before the modification. The figures for the three months ended June 30, 2017 were also restated accordingly. As a result, fundamental profit increased by ¥10,686 million and capital gains decreased by the same amount for the three months ended June 30, 2017, compared to those before the modification.

Non-Consolidated Solvency Margin Ratio

(Yen in millions)

	March 31, 2018	June 30, 2018
(A) Total amount of solvency margin	605,676	640,564
Total capital	149,053	155,912
Reserve for price fluctuation	72,500	79,806
Contingency reserve	75,597	77,469
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%	10,258	9,861
Net unrealized gains/(losses) on land x 85%	-	-
Excess of continued Zillmerized reserve (a)	267,415	283,996
Subordinated debts, etc. (b)	-	-
Amount excluded from the margin, out of (a) and (b)	-	-
Brought in capital	-	-
Deductions	-	-
Others	30,850	33,517
(B) Total amount of risks $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	121,997	128,978
Insurance risk (R ₁)	117	203
Insurance risk of third sector insurance contracts (R ₈)	4	3
Assumed interest rate risk (R ₂)	45,460	47,698
Minimum guarantee risk (R ₇)	2,655	2,628
Asset management risk (R ₃)	71,487	76,118
Business administration risk (R ₄)	2,394	2,533
(C) Solvency margin ratio [(A) / {(B) x 1/2}] x 100	992.9 %	993.2 %

(Reference)

**Incurred losses on a direct basis caused by The Heavy Rain of July 2018,
which will affect our financial results in or after the six months ended September 30, 2018**

•The "Incurred losses on a direct basis" is the sum of the amount of claims paid and outstanding claims from direct written policies before netting the amount recoverable from reinsurance.

The incurred losses are offset by the reversal of catastrophe reserve in accordance with the prescribed calculation based on the amount of claims paid, therefore, have limited impact on our financial results.

(Yen in 100millions)

	Paid and outstanding claims amount announced by The General Insurance Association of Japan on July 27 ^(Note 1)	Incurred losses on a direct basis (preliminary estimate as of July 31) ^(Note 2)
Voluntary automobile	61	130
Fire and allied / Other	158	500
Marine	-	30
Total	220	660

(Notes) 1. Total amount of paid and outstanding claims from direct written policies based on the information available as of July 23, 2018. This amount represents paid and outstanding claims related to policies underwritten solely by Mitsui Sumitomo Insurance (MSI) and Aioi Nissay Dowa Insurance (ADI) and co-insurance policies which MSI or ADI issued as a lead underwriter; paid and outstanding claims related to co-insurance policies which another insurer other than MSI and ADI issued as a lead underwriter are not included.

2. Estimated incurred losses on a direct basis after taking into consideration of further accumulation of the number of reported claims and progress of claims assessment based on the information available as of July 31, 2018.

The figures are subject to change due to the further accumulation of the number of reported claims and progress of claims assessment.