

## Y 2019 Earnings Call

### Company Participants

- Osamu Nose, Head of IR and Finance Department
- Unidentified Speaker, Unknown

### Other Participants

- Futoshi Sasaki, Research Analyst
- Kazuki Watanabe, Research Analyst
- Koki Sato, Senior Analyst
- Masao Muraki, Director and Senior Analyst
- Natsumu Tsujino, Senior Analyst
- Tatsuo Majima, Senior Analyst

### Presentation

#### Osamu Nose {BIO 4205216 <GO>}

Hello. I am Osamu Nose, Head of Investor Relations in the finance department at Sampo Holdings. Thank you for participating in our conference call today.

I would like to go through our business results for fiscal year 2018 and our business forecast for fiscal 2019 focused on numerical data. In our presentation for analysts scheduled to be held next week, Sampo Holdings management team, including the CEO, will discuss the company's management strategy for the second half of the current midterm management plan.

Let's now turn to Page 2. This is highlights for fiscal year 2018 results. Following on from fiscal year 2017, the frequent occurrence of natural disasters around the world in fiscal year 2018 weighed on domestic P&C business and overseas insurance business. On the other hand, at Sampo Japan Nipponkoa, the hit to earnings from natural disasters was offset by the planned annual reduction of JPY 100 billion in strategic holding stocks plus the additional reduction of JPY 58 billion. As a result, consolidated ordinary profit for fiscal year 2018 increased by JPY 57 billion to JPY 198.9 billion and consolidated net income increased to JPY 146.6 billion.

In fiscal year 2019, consolidated ordinary profit was predicted to increase to JPY 250 billion and consolidated net income to increase to a record high of JPY 168 billion based on the monetization of the impact from domestic natural disasters, et cetera.

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Looking at the shareholder returns announced today in more detail, our management has approved share buybacks of JPY 33.5 billion, bringing the total payout ratio in fiscal year 2018 to 72%. In addition, our annual dividend for fiscal year 2019 is forecast at JPY 150 per share in our earnings report. This dividend forecast represents a dividend increase for the sixth consecutive year thus maintaining the pace of dividend increase at JPY 20 per share.

Please turn to Page 4. This page shows an overview of our consolidated results for fiscal year 2018. In the following pages, I will discuss the main factors behind these results.

Please turn to Page 5. This page shows the status of underwriting profit of Sampo Japan Nipponkoa. Core underwriting profit, excluding the impact of domestic natural disasters, increased by JPY 31 billion by the large impact of domestic natural disasters. For your information, underwriting profit decreased by JPY 52.8 billion to JPY 41.9 billion partly due to extraordinary provisions for catastrophic loss reserve, JPY 80 billion.

Please turn to Page 6. This page shows investment profit of Sampo Japan Nipponkoa. The investment profit increased by JPY 91.9 billion to JPY 189.8 billion, mainly due to an increase in gains of security sales with accelerating reduction of strategic holding stocks, which our business forecast for fiscal year 2018 had included.

Please turn to Page 7. This page shows consolidated ordinary profit. Consolidated ordinary profit increased by JPY 57 billion to JPY 198.9 billion, mainly due to the rebound from the impact of hurricanes in North America, et cetera, in overseas insurance business in fiscal year 2017 and steady growth in policies in force of Himawari Life in addition to the underwriting profit and the investment profit we have mentioned.

Please turn to Page 8. This page shows consolidated net income. Looking at special factors at the consolidated net income level, there was a positive impact from gain on sale of fixed assets while the rebound of the decrease in tax expenses in connection with the reorganization of SI that was recognized by Sampo Japan Nipponkoa in fiscal year 2017. As a result, consolidated net income increased by JPY 6.8 billion to JPY 146.6 billion.

Please turn to Page 9. This page shows an overview of business forecast for fiscal year 2019. Consolidated ordinary profit is projected to increase by JPY 51 billion to JPY 250 billion and consolidated net income plan to increase by JPY 21.3 billion to a record high of JPY 168 billion.

In the following page, I will discuss the main points behind these forecasts. Please turn to Page 10. These are the main points of the business forecast for fiscal year 2019. While expecting negative impact from consumption tax hike, natural disaster impact both at home and abroad is expected to decrease to the level of average years. For Sampo Japan Nipponkoa, we expect a rebound from the impact of the special provisioning for catastrophic loss reserve and underwriting profit increase due to improved profitability through product regions. We have factored in steady organic growth in other lines of business.

On Page 11, we have the breakdown of consolidated ordinary profit. On Page 12, we have historical progress rates of the past five years. And on Page 13, we have numerical management targets based on adjusted profit for your reference.

Skipping several pages, please go to Page 15. From here, I would like to explain about the fiscal year 2018 results of Sampo Japan Nipponkoa. I'd like to explain about each item from the following page. Please turn to Page 16. Net premiums written. Since overseas reinsurance business assumed has been transferred to SI, net premium written as a whole decreased. But without this one-off factor, it increased steadily driven by increase in other lines. As to our mainstay product, automobile insurance, the downward pressure coming from the rate revision in January 2018 has been mostly absorbed by product revisions in January 2019 containing decrease in profit at minimum level year-on-year.

Please look at Page 17. Here, we have the written paid loss ratio mainly around fire and allied insurance. We did feel the impact of the domestic natural disasters. And then at the same time, there has been various claim payments for FY '17 major accidents. And that is why we have increased the loss ratio. In fiscal year 2019, there's going to be the consumption tax hike. But then we have decided to look at the domestic natural disasters as well as automobile insurance and unit price repairs on a conservative manner.

Please turn to Page 18. Here, we have the loss ratio on earned incurred basis. Just like the written loss ratio, due to the impacts of domestic natural disaster, the loss ratio increased. However, if you exclude natural disaster impact, loss ratio improved especially around new insurances. And so therefore, the loss ratio, excluding compulsory automobile liability insurance, household earthquakes and natural disasters, improved by 0.4percentage points.

Please turn to Page 19. Here, we have the operating expense ratio. We have been able to control our expense as planned mainly around company expense. And so therefore, we're going to be continuing this work from FY '19 and onwards. We also have show -- we also show our combined ratio on Page 20.

Please turn to Page 21. Here, we show our investment profit. I've already explained about fiscal year 2018. And as for the net interest and dividend income, the net interest and dividend income, excluding the dividend income from Sampo International that is eliminating consolidation, has been progressing as planned. In fiscal year 2019, the selling of strategic holdings reduced its impact. And so therefore, we're going to be expecting JPY 143.1 billion.

Net interest and dividend income, gains and losses on sales of securities and impairment loss for fiscal year 2018 is shown on the next page. Please turn to Page 23. Here, we show business forecast for Sampo Japan Nipponkoa. On the following Page 24, we showed our base of assumptions. And on Page 25, we have indicators related to automobile insurances.

And with that, we'll skip some pages and I will go to Page 26. Allow me to supplement some information around domestic natural disasters. In fiscal year 2018, there have been

several major natural disasters, including Typhoon Jebi. Therefore, on gross basis, the incurred loss was JPY 498.8 billion. But then there were amounts recovered from reinsurance. And so on net incurred loss, the net incurred loss was JPY 177.8 billion, which is almost the same level of the forecast that we showed you back in 2018 November. As for 2019, we're looking at some of the recent natural disasters that happened. And so therefore, we have added another JPY 5 billion compared to the FY '18 initial assumption. And we currently forecast JPY 53 billion.

The next page shows our fund and reserve reference data. I will skip some pages and we will go to Page 29. Here, we show our overseas instruments business. The adjusted profit for our fiscal year 2018 stood at JPY 33 billion, down by JPY 10.9 billion. And the rebound of a decrease in tax expenses in connection with the reorganization of Sompo International by JPY 72.4 is the major reason of this decline, which we booked back in 2017. And excluding this impact, we no longer find some of the impacts from the very large North American hurricanes in 2017. And at the same time, there's been an organic growth, especially around Sompo International. So there have been a large increase in our profit. The adjusted profit for FY 2019 is to be expected at JPY 59 billion, increased by JPY 25.9 billion. We expect that we will be able to increase our profit through our U.S. insurance business and specialty lines.

On Page 30, we have regional breakdowns. And also on Page 31, we have business results by companies. Please refer to them later.

We will now go to Page 32. Here, we have supplementary information on our overseas largest group company, Sompo International. The numbers here are indicated in U.S. dollars. The top line, we have revised the outlook back in 2018 November looking at a tougher market. But then we have been able to increase the policies in specialty lines and, therefore, we have been able to surpass our full year forecast. As with the adjusted profit, other than rebound of a decrease in tax expenses in connection with the reorganization, there has been some impacts of natural disasters around the world in 2018 just like we saw in 2017. However, there are some specialty insurances, specialty lines, which is less impacted by natural disasters. The loss ratio is improving compared to the full year's forecast. In 2019, we are trying to make sure we'll be able to have a good organic growth based on insurance business. And we expect to normalize any impacts from natural disasters. Therefore, we are expecting an increase in profit.

On the next page, we have business figures for Sompo International. Please refer to them later. I will skip some pages and go to Page 35. This is about Himawari Life. Starting with the new income compensation line we started in 2018 April, we have been able to increase the premium in other incomes on a steady manner. And also, there has been some positive impact with less liability reserves. Therefore, the net income was able to achieve JPY 15.3 billion, an increase by JPY 7.2 billion, which is more than our full year's forecast. And so in 2019, we expect an increase of JPY 1.2 billion in ordinary profit, net income by JPY 600 million standing at JPY 16 billion. The major reasons are the increase coming from premium and other income.

On the next page, we have change factors of net income around Himawari Life. And on Page 37, we have additional explanation of adjusted profits. Also, MCEV, the details can

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be shown on -- can be seen in Page 38. And I hope you'll be able to refer to this later. I will skip some pages and we'll go to Page 40 now. This is about nursing care and health care business. The major indicator with this business would be the occupancy rate. This is improving on a very steady manner. And so therefore, the adjusted profit for nursing care and health business in 2018 has been able to achieve JPY 4 billion, which is an increase by JPY 1 billion. We have been able to surpass the full year's assumption that we showed you back in 2018 November. For fiscal year 2019, we are expecting further improvement in occupancy rate. And so therefore, the adjusted profit will increase for this business. The trend of occupancy rate can be seen on Page 41. Please refer to them later.

And I will go to Page 43. This is about ESR. We did see impact of low interest rate. However, there has been some additional reductions, strategic holding stocks. And so therefore, ESR at the end of fiscal year 2018 ended at the same level at the end of fiscal year 2017. At the moment, there is no problems around our financial soundness. We also show the breakdown of adjusted capital risk on Page 44. Please refer to them later on.

And with that, I will go to Page 45. My final part of the presentation is about group-wide asset portfolio. On the following pages, we also have asset portfolio around Sampo Japan Nipponkoa, Sampo International as well as Himawari Life. I hope you'll be able to look into it later on. But each of these companies, we still have been able to ensure portfolio with quality and safety.

With that, I would like to conclude my presentation.

## Questions And Answers

### A - Unidentified Speaker

Thank you. Now we'd like to move on to Q&A session. First, from Deutsche Securities, Mr. Muraki asks a question.

### Q - Masao Muraki {BIO 3318668 <GO>}

I understand that I'll ask our questions one by one. So as to the catastrophic loss reserve, you had extra provisioning in order to cover the natural disasters. Please elaborate on the reason for that extra provisioning. Is that level enough? Is there any possibility to do the same for the new fiscal year?

### A - Osamu Nose {BIO 4205216 <GO>}

Muraki-san, thank you very much. As to your first question, JPY 80 billion extra provisioning for the capital reserve, the reason is as follows. The outstanding balance of that reserve has been coming down. So in order to prepare ourselves for the same level of natural disasters or frequency of those disasters as 2018 that we have provisioned additionally the provisioning for the (fire) insurance is also increasing. And based on the intent of the reserving, we are committed to continue the adequate provisioning for reserves. Have I answered your question?

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**Q - Masao Muraki** {BIO 3318668 <GO>}

Yes. My second question. On Page 13, you have adjusted the profit, JPY 185 billion forecast. A year ago, you had JPY 220 billion forecast. So that is the decrease of JPY 33.5 billion. The JPY 31.5 billion for domestic. And for the overseas, the JPY 40 billion or so the reduction in the level of the other forecast. So what changed compared to one year ago?

**A - Osamu Nose** {BIO 4205216 <GO>}

Thank you for the question. For 2018 fiscal year from the original forecast did a change from the original forecast. That's what I'm going to explain. First, domestic business is (G&K), our biggest entity. Toward the beginning of 2019, the biggest change is the consumption tax hike. And the loss ratio forecast is conservative. So that worked as the downward impact. And mainly for the other fire, there are the rate provisions which is plus for that category. So EI, the loss ratio compared to the beginning of the fiscal year 2018 and 2019, the increase of 1.5 points. And based on the earned premium, this increase of 1.5 points can explain the difference between the original forecast and the new forecast. As to the overseas business, the biggest entity, SI, that is what I'm going to explain about. So it's a bit difficult to do the same comparison because at the beginning of 2018, we assumed that the increase in the rates, that will be very big. And -- but in absence of that, maybe we better look at the full year forecast. Compared to the forecast issued in November 2018 despite conservative loss ratio with the increase earned premium, profit forecast for fiscal year 2019 has increased. Have I answered your question?

**Q - Masao Muraki** {BIO 3318668 <GO>}

Yes. For the domestic P&C business, to look at the other profit and loss status, it seems that the -- you are rather on the conservative side compared to your assumption before the proceeds from the other sales of shares. So the other actual result was good. But the other deal was the Cat loss reserves, the provisions on accounting basis that it didn't really increase. So for that new year, if the loss ratio doesn't go up as assumed, the adjusted profit would go up. And I think you referred to the possibility of provisioning more of the other Cat loss reserves. So the accounting basis, you do not assume the upwards headroom before the other profit. Am I right to assume that way because the provisioning for Cat loss reserve?

**A - Osamu Nose** {BIO 4205216 <GO>}

Yes. Thank you. That's right. And I -- actually, I skipped something. For the fiscal year 2018, natural disasters, there are big natural disasters so reinsurance cost increased as well. And the other budget for the natural disasters, as I mentioned earlier, we increased it as well. So compared to the original -- the forecast for the 2018, they still remain for the other forecast at the end of -- at the beginning of the fiscal year 2019.

**A - Unidentified Speaker**

The next question comes from Ms. Tsujino from Mitsubishi UFJ Morgan Stanley Securities.

**Q - Natsumu Tsujino** {BIO 2234779 <GO>}

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My question is about the adjusted profit for SJNK. So I do believe you have a very conservative view. So if you look at on the profit -- adjusted profit basis, it's going down by JPY 30 billion or so year-on-year speaking. So that's what it says in your plan. But then the reinsurance cost, even if it increases, it probably will be just around JPY 10 billion. And the year that just ended, there was the reversal of the premiums. And so I think that should become a positive factor with the reinstated premiums. And so you mentioned about some of the -- for example, the consumption tax hike. But then that's just going to be an impact of like six months. You said that you expect that it's going to increase by 1.5 percentage points. But that itself seems conservative. Is this the right way to look at it?

**A - Osamu Nose** {BIO 4205216 <GO>}

Thank you, Ms. Tsujino. Your question, what you just questioned. So first of all, at the beginning of the year of 2018 versus 2019, when we try to compare the 2, on 2018, this reinstated premium, we were not expecting this amount. And so the cost increase of reinsurance, we have not been able to offset it. The negative factor this time. So in SJNK, again, the impact from construction tax hike is going to be like JPY 12 billion or JPY 13 billion. At the same time, the reinsurance cost, for example, natural disasters will be like JPY 15 billion. So that these 2 would already be almost JPY 30 billion. That's the negative impact that would push the figures down. And of course, we're not just going to sit and wait for things to happen. We will make sure that we'll be able to, for example, improve our OpEx, for example, or perhaps offer new policies or products. And of course, we will be doing these measures. But then at the same time, we will also say that at the moment, we are keeping a conservative view.

**Q - Natsumu Tsujino** {BIO 2234779 <GO>}

I see. I'm just looking at the actuals. And if I just look at the actuals, you should be able to enjoy a higher improvement. So maybe reinstatement premiums, I think, this is something that you should be able to factor in more.

**A - Osamu Nose** {BIO 4205216 <GO>}

Thank you for your comment. So you were comparing the actuals. I'm sorry. So again, the adjusted profit, that's JPY 160 billion or more, like JPY 165 billion. And the revised figure is JPY 147 billion, which is now here at the moment is like 134 -- JPY 137.5 billion. Thank you. So we look at the actuals. So it is true. We do have the reinstated premiums. But then if you look at the other areas, for example, consumption tax hike, impact from natural disasters, these -- we will be able to see impact or contributions there. And so we are looking at the automobile part on a conservative manner at the same time. But then what we're looking at to conservative -- with a conservative perspective, we, of course, do keep some buffers vis-à-vis the initial forecast. So we are being conservative but with a buffer.

**Q - Natsumu Tsujino** {BIO 2234779 <GO>}

Understood. And also as for the shareholder return policy, is this something that I would have to wait until the next occasion that you just explained at the very beginning? Because I think you talked about changing some of your policies around here.

**A - Osamu Nose** {BIO 4205216 <GO>}

Yes. So that is an IR meeting scheduled next week. And so there, we will be explaining about our shareholder policy, especially at the latter half of the midterm plan.

**Q - Natsumu Tsujino** {BIO 2234779 <GO>}

Yes, I will look forward for that.

**A - Unidentified Speaker**

Next question is from Mr. Watanabe of Daiwa Securities.

**Q - Kazuki Watanabe** {BIO 15948747 <GO>}

Yes, Watanabe from Daiwa Securities. I have 2 questions. Please look at Page 33, SI. The premium forecast for the fiscal year 2019 of SI seems that the rather big, the forecast for increase and the -- what -- based -- what is the assumption on the other rate up? And also, are there any other changes in the strategies to assume this focus?

**A - Osamu Nose** {BIO 4205216 <GO>}

Thank you for that question, Mr. Watanabe. 2019 fiscal year, the growth in the -- on the premium for SI. Gross written premium starting there for fiscal year 2019 from the rates up, 6% is expected. In addition, some organic growth is also expected as a whole, a little bit less than 10% of growth is expected here. Compared to that growth as to net premiums earned, it seems that the other changes rather big. We assumed that there's some increase in those business so the market has been soft. Then there are some signs that the market is hardening a little bit. So SI are doing selective underwriting. They are more attractive, the business and policies. That is the picture that we assume.

**Q - Kazuki Watanabe** {BIO 15948747 <GO>}

My second question is about the domestic, the P&C plans, fire and automobile. Could you please talk about assumption for the premiums? In autumn, the fire rates might go up and also the -- I think the automobile premiums would also go up because of the consumption tax hike. How are you going to change the rates? Any indication?

**A - Osamu Nose** {BIO 4205216 <GO>}

Thank you for the question. As to fire insurance, 2018 based on the rating change, reference rate changes. And we are planning to raise rates greater than the increase in the reference rates. And the other -- there are some the differences but it will be in the range of 6% to 7% change of rates. As to automobile insurance, as to the revisioning scheduled for January 2020, in order to maintain good profitability, we are now reviewing what way that we should revise the rates.

**A - Unidentified Speaker**

The next question comes from Mr. Sato from Mizuho Securities.



**Q - Koki Sato** {BIO 19983862 <GO>}

My first question is more like a follow-up to what's been already asked. But then it's about domestic P&C. So again, you mentioned about consumption tax hike. What is the impact of consumption tax hike for this year? And so for example, how much percentage or a portion of impact do you expect for this full year?

**A - Osamu Nose** {BIO 4205216 <GO>}

Thank you for your question. So again, the impact of consumption tax hike. In 2019, we expect the impact, negative impact to be JPY 13 billion. So this JPY 13 billion, it will be on a full year basis. But then we actually expect it's going to be 70% of this. And on the second half, there is going to be again the consumption tax hike and there is going to be the increase. But then, there will be some time lags because there will be some difference in some of the component's cost increase.

**Q - Koki Sato** {BIO 19983862 <GO>}

So in 2020, do we have to expect another JPY 13 billion impact?

**A - Osamu Nose** {BIO 4205216 <GO>}

So again, the increase is about consumption tax hike. So it's not about, for example, rate increase here.

**Q - Koki Sato** {BIO 19983862 <GO>}

So right. So you said that in 2019, there's going to be a negative impact by JPY 13 billion and you expect it's going to be 70%. In other words, it sounds like there's another 30% of that JPY 13 billion that you'll be expecting. Is that something that we'll see in 2020?

**A - Osamu Nose** {BIO 4205216 <GO>}

That's exactly right.

**Q - Koki Sato** {BIO 19983862 <GO>}

My next question is about Sampo International. You mentioned about the loss ratio. You mentioned that it is going to be increasing. And so you compared with adjusted profit and you were able to do that. So loss ratio, 60.6% is already included in the 2018 expectation. But then now, you expect it's going to be 62.8%. So what are the factors behind this? For example, how much reserves would you have for natural disasters? And also, what -- for example, anything that cannot be counted as natural disasters, I think you would be expecting some incurred loss coming from these incidents. I think this is something that we also were able to hear. But what is your outlook for that part for this year?

**A - Osamu Nose** {BIO 4205216 <GO>}

Thank you, Mr. Sato, for your question. So again, the natural disaster impact for SI, that's something -- that is the point of your question, right?

**Q - Koki Sato** {BIO 19983862 <GO>}

Well yes, that's something that I would like to confirm.

**A - Osamu Nose** {BIO 4205216 <GO>}

The numbers on 2019. And it will be approximately JPY 23 billion. So that is how much we are going to be expecting.

**Q - Koki Sato** {BIO 19983862 <GO>}

And also. So what would be the incurred loss other than coming from those major natural disasters?

**A - Osamu Nose** {BIO 4205216 <GO>}

So again, in 2018, some of the impacts from the smaller disasters and there will be some post reported disasters as well. And there were some items that we had to see afterwards and it would include several disasters all at once. And so total will be JPY 74 billion overseas. And out of that, SI portion will be JPY 69 billion.

**Q - Koki Sato** {BIO 19983862 <GO>}

So again, these aggregated disasters, do you -- I don't think you have to expect that from happening this year. But still, EI loss ratio, why is it still expected to increase?

**A - Osamu Nose** {BIO 4205216 <GO>}

Yes. So in our reinsurance line, the loss, we are looking at the loss ratio in a very conservative manner this time. The loss ratio, of course, we expect this to improve. But then, reinsurance line, looking at the recent situation, we do believe at the best estimate of SI, we are expecting a higher loss ratio.

**A - Unidentified Speaker**

Next question comes from Mr. Sasaki, Merrill Lynch Japan Securities.

**Q - Futoshi Sasaki** {BIO 17564798 <GO>}

Sasaki from Merrill Lynch Japan Securities. About SI, the plan for this fiscal year, that is my question. From January to April and the June to July and how are you going to change rates? I understand that on an annual basis, it's about 6% up until April. How did you change the rates? And the -- am I right to understand that the number of policies, the assumption has not been changed so much?

**A - Osamu Nose** {BIO 4205216 <GO>}

Thank you, Mr. Sasaki. As to the SI's rates, for this fiscal year, rate increase is expected to be 6.5%. So far, the January through March that we have the confirmatory results on a cumulative basis plus 7.9%. So more than the plan. That's the cumulative number as of March. So in April, it will go up by 2 digit. And also June and July, it seems that it will go up again. So 6% or that level is rather conservative.

**Q - Futoshi Sasaki** {BIO 17564798 <GO>}

Am I right to understand that you have a rather conservative plan?

**A - Osamu Nose** {BIO 4205216 <GO>}

Yes. To some extent, yes, we are conservative.

**Q - Futoshi Sasaki** {BIO 17564798 <GO>}

As to the number of policies, what is your thought on that?

**A - Osamu Nose** {BIO 4205216 <GO>}

For the organic growth, around 3% growth. That's our assumption.

**Q - Futoshi Sasaki** {BIO 17564798 <GO>}

Understood. My last question. Well the retrocession market that is rather blurred and the region's costs or the prices seem to be fluctuating. Would your company be affected by that market situation?

**A - Osamu Nose** {BIO 4205216 <GO>}

In the hardening or softening of the insurance market, is that the intent of your question?

**Q - Futoshi Sasaki** {BIO 17564798 <GO>}

My question is I heard that the retrocessionary cost of reinsurance companies is rising. Is that something that we need to be concerned or not? That is my question.

**A - Osamu Nose** {BIO 4205216 <GO>}

Well there are some signs of the hardening of the market. And we think that way as well. That said, SI will continue to underwrite in a selective manner. So for the retrocession, SI will pick up what is good for them to seed for reinsurance. So it's true that in some cases, prices are coming up. But the SI leveraging there, the other pricing power and capability that we can transform them to the opportunities.

**A - Unidentified Speaker**

The next question comes from Mr. Majima from Tokai Tokyo Research Center.

**Q - Tatsuo Majima** {BIO 15338044 <GO>}

This is Majima. I guess I'm going to ask a very similar question. But then on Page 10, you have SJNK forecast, you have some of the highlights. So for example, you'll be able to improve the profitability with new products. And this is something that we've been hearing many times already. But auto insurance, you're not expecting to introduce new products. But then this profitability improvement is in that -- in other words, going to be coming mainly from fire and allied insurance. That's my first question. My second question is about our overseas business. On Q3, the adjusted profit was JPY 55 billion, which now

is at JPY 33 billion. In other words, the figures must have really gone down in Q4. So this was very much because of natural disasters. Is this the way to understand this? And also for example, the fire in California. So that was some of the large disasters. Or is there any, like, a specific disaster that you'll be able to point out to?

**A - Osamu Nose** {BIO 4205216 <GO>}

Mr. Majima, thank you for your question. So first of all, your first question about the rate up. So on the rate up of fire insurance, like I mentioned earlier, that is, yes, a large factor. As for the automobile insurance, the change into 2020 January will -- is something that will come a little more in the future. But then there's been some changes, for example, adding new riders and options. And so this is something that we've already been able to implement, which has contributed by JPY 2 billion. And also for 2020 January, we are going to make sure we'll be able to have a good plan as we try to keep track of our performance. And also your second question was about natural disasters involving SI. So it is true. In Q4, there was this very large impact, just like you mentioned. With that said, what you find on newspapers, for example, there's very, very large natural disasters. Michael Florence, Michael Florence, these are some of the very major factors. And as for the California fire, there was Canopus which had large exposure to California. And so there was some specific loss that we had to record. But then after we sold off the entity. There isn't any much exposure as SI to California anymore. So therefore, the California wildfire impact was quite limited. But then Sydney, there are some other incidents that did impact. But then it's not like we found any other large natural disasters.

**Q - Tatsuo Majima** {BIO 15338044 <GO>}

So if I may confirm. So the automobile insurance. So again, we're talking about the rider is about 2019 January. Now if that is -- if you're going to be implementing some new options in 2020 January, this is something that we would have to wait for next fiscal year to see the contribution?

**A - Osamu Nose** {BIO 4205216 <GO>}

Yes. So if there is going to be any change, that means it's going to be January, March where we will find the contributions from the rate change or the product change.

**A - Unidentified Speaker**

Ms. Tsujino, Mitsubishi Morgan Stanley Securities.

**Q - Natsumu Tsujino** {BIO 2234779 <GO>}

Three questions. The SI, natural disaster for SI, JPY 23 billion, you said. It's not JPY 28 billion, JPY 23 billion is the right number?

**A - Osamu Nose** {BIO 4205216 <GO>}

SI, JPY 23 billion. And JPY 28 billion is for the whole overseas business, including SI.

**Q - Natsumu Tsujino** {BIO 2234779 <GO>}

Understood. For SI, I understand that the retention is expected to increase. Is that going to be a very small increase in retention?

**A - Osamu Nose** {BIO 4205216 <GO>}

If not, it would be difficult to explain. The 10% -- the 20% point increase in force the business is not what we are talking about, would be the low single-digit percentage magnitude. So it's not that the increase by 5 point if you hold 50%, it will not be 55%. It will be like 51% or 52%. That's what you're talking about?

**Q - Natsumu Tsujino** {BIO 2234779 <GO>}

Yes.

**A - Osamu Nose** {BIO 4205216 <GO>}

The retention ratio will go up, say, 4% or 5%.

**Q - Natsumu Tsujino** {BIO 2234779 <GO>}

So the reinsurance rate increase, average increase has been covered. But what about the pro rata basis? The -- for the quarter losses, there are different kinds of reinsurance schemes. I'm talking about the domestic business. Are you talking about all kinds of reinsurance or are you only talking about the other excess loss alone?

**A - Osamu Nose** {BIO 4205216 <GO>}

I'm sorry, are you asking about the reinsurance cost of the domestic P&C business?

**Q - Natsumu Tsujino** {BIO 2234779 <GO>}

Yes. That's at least what I think I heard. But you talked about many things. So JPY 15 billion increase in the other reinsurance cost. So how much percentage increase are you talking about? And based on what?

**A - Osamu Nose** {BIO 4205216 <GO>}

In the case of SI, average of 6% rate up.

**Q - Natsumu Tsujino** {BIO 2234779 <GO>}

That's what you said. And 6.5% that you mentioned later on is the same number that you're talking about when you said 6%?

**A - Osamu Nose** {BIO 4205216 <GO>}

For the SI, 6.5% for the top line increase. This is -- this also includes primary business of SI as well. It's not only for reinsurance. And as to domestic, the reinsurance cost increase, the sitting premium in the private insurance space, it's about 5% cost increase, including all kinds of reinsurance schemes. Yes. That's right. Thank you, thank you.

(Statements in English on this transcript were spoken by an interpreter present on the live call.)

FINAL

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