

S1 2012 Earnings Call

Company Participants

- Kazuhisa Tamura, Manager, Accounting Department
- Shinichi Hara, Investor Relations, Corporate Planning Department
- Shinji Tsuji, Director, Managing Executive Officer

Other Participants

- Analyst
- Jun Shiota
- Kazuharu Miura
- Masao Muraki
- Mitsumasa Okamoto
- Natsumu Tsujino
- Takanori Miyoshi

Presentation

Shinji Tsuji {BIO 16148256 <GO>}

This is Shinji Tsuji of NKSJ Holdings. Thank you very much for participating in the Fiscal Year 2011 First Half Year Results Conference Call, despite your busy schedule.

Let me begin, please turn to page four.

Here are the key points. During the first half, the property and casualty insurance and life insurance recorded increase in ordinary income due to typhoons and other natural disasters and the impact of impairment losses on securities the term ended with a net loss.

In the domestic P&C insurance, the effect of voluntary order premium rate hikes began to be realized, resulting in a positive revenue growth.

Declining profitability of voluntary automobile insurance seen to hit the bottom.

Loss ratio excluding natural disasters declined and the number of claims reported leading indicator also continue to decline from the previous year.

On the other hand, there have been a large number of natural disasters totaling ¥49.4 billion between the two companies. Paid losses resulting from the Great East Japan

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Earthquake were almost offset by the reversal of the outstanding loss reserves.

So we booked gain on reversal of the catastrophic loss reserve.

Domestic life insurance maintained steady sales growth. ANP increased significantly and policies in force increased steadily in October, through a merger NKSJ Himawari Life was established. In December, life insurance promotion department will be established within P&C companies to engage in joint promotions of life insurance.

Overseas premium income group particularly in emerging countries Sampo Japan Sigorta that we acquired in Turkey, has begun to contribute to the consolidated results.

Full year forecast has been revised downward, in addition to the impact of impairment loss on securities a major factor for the last and the first half. Payment related to the flooding in Thailand are the major factors.

Please go to the page five. I will first give you the overview using pages five through 10, followed by details by business domains.

Page five, shows the highlights of the first half results. Net premiums written increased by 2.1%, life insurance premiums grew by 12.5%, resulting a top-line growth, ordinary income therefore grew by 5.4%.

But due to typhoon number 15 and other natural disaster an impairment of loss on securities on NKSJ Holdings consolidated basis ordinary loss of ¥57.2 billion and net loss of ¥53.3 billion were recorded.

Please turn to page six.

Here you can see the breakdown of the net loss totaling ¥57.2 billion. In domestic P&C insurance, underwriting profit recorded minus 21.9 billion due to typhoons and other natural disasters.

Investment profit increased by 20 billion on non-consolidated basis, thanks to stable interest and dividend income and capital gains.

Expenses other than underwriting totaled ¥7.9 billion. In domestic life insurance, top-line grew but on accounting basis, it had a negative impact of 2.9 billion.

Overseas insurance business need a ¥3.2 billion contribution reflecting steady progress of business in different countries.

The impact of consolidation adjustments totaled 47.7 billion including adjustments related to purchase method accounting following stock market declines.

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Please turn to page seven.

There you can see the forecast for full year fiscal 2011. Sampo Japan consolidated and Nipponkoa consolidated are expected to generate profit but on NKSJ consolidated basis due to significant consolidation adjustments including purchase method related adjustments, ordinary income is expected to be only 3 billion and net loss of 12 billion is expected.

Compared to the initial forecast, ordinary income is revised downward by 39 billion and net income by 28 billion respectively.

Dividends per share remained unchanged from the initial forecast and we expect to maintain ¥80 per share.

Please turn to page eight.

Ordinary income forecast is revised downward by 39 billion from ¥42 billion to ¥3 billion, factors are shown here.

Broadly they are two factors, one is impairment loss on securities totaling minus ¥32.8 billion. Second is projected losses related to flooding in Thailand, estimated at 15.5 billion.

The net loss incurred from Thai flooding is estimated at around 30 billion. And we assume that about half of that will be paid during the fiscal year.

Losses paid during this year, can be offset by the reversal on catastrophic loss reserve. So the amount whose payment will not be completed during this fiscal year, will be assumed to be recorded for this fiscal year.

Page nine.

You can see adjusted profit, which is part of the managerial indicators.

In domestic P&C insurance, there is no minor factor of purchase method adjustment. But since the reversal of catastrophic loss reserved related to the earthquake is not counted, so losses seen inevitable for this fiscal year, which will be covered by the 30 billion coming from the domestic life insurance.

In total, adjusted profit is estimated at 6.6 billion.

Page 10, is a tabular representation of the same information.

So I will skip this page.

So that's overall picture. Let we go into the specific business domains.

Please turn to page 11.

First, domestic P&C insurance business shown here are the highlights of the two major P&C insurers non-consolidated first half results.

Top-line grew but due to typhoon and other natural disasters, underwriting profit was negative for both companies.

Accordingly, ordinary income and net income were either in the negative or recorded a decline. But those companies have catastrophic loss reserve accumulated to cover natural disasters.

So on the full year basis, gain on the reversal of this will be recorded, so part of the amount shall be offset.

Please go to page 12.

Net premiums written by insurance line is shown here, both P&C insurers turned into positive growth in all insurance lines, specifically fire, personal accident, voluntary auto insurance increased.

Increase in fire were due to strong sales of retail products at Sampo Japan and due to effect of long-term and large policies at Nipponkoa.

In voluntary auto insurance positive effect of rate hike is gradually being materialized.

Page 13.

This shows number of cars insured and unit premium of our main state, the voluntary auto insurance, not on the net premium written business basis, but sales premium basis that we capture.

At Sampo Japan new car sales volume declined push down the number of cars insured. However due to positive effect of rate hike, the unit premium increased.

At Nipponkoa, positive effect of rate hike has being realized and non-fleet unit premiums increased by 1.9%.

Please move to page 14.

This is net loss ratio on written/paid basis.

Due to Great East Japan Earthquake mainly for fire insurance, paid claims increased. Excluding the impact from the earthquake, typhoons number 12, number 15 and other natural disasters have pushed up the paid claims.

The voluntary auto insurance was affected by typhoons to some extent and loss ratio remained at the higher level in the first half.

Moving on to page 15.

Net loss ratio on earned/incurred basis is shown. In fire insurance against typhoon number 12, 15 and other natural disasters, we provided more outstanding claim reserves and that has pushed up the net loss ratio.

In voluntary auto insurance due to typhoons, loss ratio was almost the same as the previous year.

And claims incurred from Great East Japan Earthquake were paid by reversing the outstanding loss reserve. So there was very little impact.

Page 16.

In voluntary auto insurance, this is new, this is the earned/incurred base loss ratio that is changed overtime excluding large scale natural disasters. And loss ratio based on this basis has turned into downward trend in the first half. But we cannot be optimistic going forward.

However, we are beginning to see some signs of change.

Please take a look at page 17.

This shows what is considered to be a leading indicator for claims repaid in voluntary auto insurance, the total number of claims reported at two major insurers as compared to the previous year on the single month's basis.

In the fiscal year 2010, significant increase was seen from a year before. But in fiscal year 2011, year-on-year increase turned into a negative number, showing signs of it ticking out.

Please take a look at page 18.

In order to improve profitability in voluntary auto insurance continuous revision of rate is important.

And we will continue to try to realize optimum premium rate. At Sampo Japan system of different premium rates being applied to different age groups, was introduced in the

April.

And in two consecutive years, the rate hike was carried out at Nipponkoa following December last year, the rate hike is expected in January 2012.

And in September, especially for non-fleet rating system notification of revision on advisory pure premium rate was submitted and in a revised driving -- driver rating system, we believe, some effect to mitigate decline in premiums can be expected.

On page 19.

You can see impact from Great East Japan Earthquake in household earthquake insurance claims payment to customers was conducted smoothly.

Since the same amount of underwriting reserve for earthquake insurance was reversed as the losses incurred there was no impact on profit and loss.

And other than household earthquake insurance, claims paid were mostly offset by reversal of outstanding loss reserves and ¥17.5 billion in catastrophic loss reserve was reversed as claims payment proceeded and recognized as profit.

Consequently, the impact on underwriting results by the earthquake was net positive of ¥16.2 billion.

Moving on to page 20.

The impacts from domestic natural disasters is shown here. Due to the impact of natural disasters that broke out during the first half such a typhoon number 12 and 15.

Net losses incurred was ¥49.4 billion in total for the two major insurers.

The original forecast at the beginning of the term for the two insurers was ¥27.5 billion for the first half. So we have run over this amount.

Sum of two companies, of the total 33.6 billion was attributed to typhoons and others included hail damage in Hokkaido.

Please take a look at page 21.

Net expense ratio, with reduction in company expenses, net expense ratio declined.

Page 22.

There you can see, the progress in synergies and costs of integration of domestic P&C insurance business.

Generally, various initiatives related to business integration are progressing as planned. We are expecting synergies of ¥14.1 billion by the end of the fiscal year.

One-time costs are estimated at 0.4 billion for this fiscal year, most are related to system integration efforts and will mainly be recorded between fiscal years 2012 and 2014.

Page 23.

Investment profits. Interest and dividend income in two company total was about the same as in the previous year.

Realized gains on securities increased significantly at those companies with the progress in the sale of strategic holding stocks.

At Sampo Japan, impairment losses on securities increased and therefore total investment profit decreased year-on-year.

Page 24.

Investment asset portfolio. Many due to the sale of the strategic holding stocks and declining market values balance and unrealized gain of domestic stocks decreased.

Page 25.

Regarding strategic-holding stocks based on the goal to reduce them by ¥300 billion over a three year period ending fiscal 2012, we are planning a ¥130 billion reduction for fiscal 2011 between the two P&C insurers.

During the first half, we reduced by 38.7 billion between the two companies, on the basis of actual sale. Following big drop in the stock market in August, the actual amount based on market price was smaller than planned, but we hedged 11.2 billion through futures.

So actual exposure reduction amounted to approximately ¥50 billion.

To achieve the yearly target, we will steadily implement sales in the second half.

Exposures to GIIPS countries in Europe are limited as you can see.

Page 26.

Sensitivities to interest yield, foreign currency and stock price. As for interest yield, both P&C insurers are managing portfolios with emphasis on ALM.

So the impact on the net asset value was limited.

As for the foreign currency exchange, we are using derivatives hedging to control price fluctuation risks. Although it's not shown here, foreign currency liabilities related to contract may benefit from the stronger yen, as for the impact of the changes in the stock market, we will steadily decrease it through well planned reduction of strategic-holding stocks.

Page 27.

Our focus on domestic life insurance from here. In October, Sampo Japan, Himawari Life and Nipponkoa Life were merged into NKSJ Himawari Life.

On this page, you can see the history of the past mergers and company name changes, as well as major managerial indicators.

Page 28.

Let me briefly explain the business strategy of the new merged company.

NKSJ Himawari Life will simultaneously pursue enlarging sales and improving profit. So as to become a company with the number one profitability among the P&C insurers life subsidiaries. We will also aim at making the top ten list in the entire industry in terms of major indicators including the number and amount of new business.

As a first step toward realizing the new management plan, life insurance promotion department will be established in December in the two P&C insuring subsidiaries for joint effort.

Page 29.

The positioning of the merged company in the industry, in the personal insurance field by managerial indicators on the upper half, you can see the new business indicators, in terms of the number of new business with the market share of 3.3%, it is ranked 11th in terms of ANP with the market share of 2.5%, it is ranked 14th.

As Himawari Life concentrates on protection type product, it appears lower in terms of annualized premiums, which favor savings type product.

But in terms of the amount of new business, it has a market share of 5.3%, ranking number 7th, thus following largest players.

In terms of the number of new business in medical insurance despite the fact that it is not advertised it is ranked number three following Aflac and .

In-force business as shown on the lower half is the accumulation of new business and since Himawari is a late comer the position is currently lower than in terms of new business. But we believe we can make a steady progress.

Page 30.

Outline of the results of the domestic life insurance.

Solid sales in income compensation and medical insurance resulted in top-line growth with increase in integration of expenses and policy reserves reflecting increase in policy income, bottom-line decreased.

This official amount -- the official announcement for EV is made only once a year, it's not shown here. But increased revised EV in the first half was internally calculated as 18.6 billion.

The planned figures for the fiscal years is 30 billion. So we are making a steady progress towards that goal.

Page 31.

Top-line grew steadily, annualized premium of new business tend to be higher in the second half than in the first half.

Due to channel characteristics and sales promotion. So compared to second half of fiscal 2010, a slight decline was recorded but compared to the same period of the previous year, a slight increase was observed.

Annualized premiums on policy in force showed only a slight increase due to a decline in increasing term life insurance. But there was a steady growth in the third sector.

Page 32.

Asset investments of two major life insurance companies centering on yen-denominated bonds, ALM is pursued duration gap between assets and liabilities is minimal and interest fluctuation has limited impact on net assets.

Page 33.

In the new merger to company, increase in adjusted EV of ¥55 billion in fiscal year 2015 is the management target. And for the next five years, the cumulative increase will exceed

200 billion and at the end of the fiscal year 2015, the EV will slightly reach ¥660 billion.

Page 34.

The status of overseas insurance business is shown. Net premiums written and net income both increased.

In Asia, Latin America and other emerging countries especially, the premiums were growing and SJ Sigorta, acquired in Turkey started to contribute to consolidated results.

Moving on to page 35.

Overseas insurance is positioned as a growth driver for the group.

For the three years, till 2012, ¥200 billion worth of M&As are planned. And in fiscal year 2010 investments in Singapore and Turkey and in this fiscal year additional investments in Malaysia was carried out.

In the markets where high growth and profitability are expected, we will pursue increasing profitability and execute investments.

Page 36.

This shows the status of net assets. As you can see at the bottom of this page, adjusted consolidated net assets decreased from the end of the previous term due to the drop in stock prices and net losses in the first half.

And based on this calculation, net assets per share is ¥4,100 plus but the current stock price is less than 0.4 times of this level

Page 37 please.

The status of risks and capital is shown.

When calculated with the confidence level of 99.95%, which is equivalent to AA rating, the group wide capital as of the end of September was ¥2.67 trillion surpassing the total risk amount to ¥1.98 trillion by 690 billion.

Increase in natural disasters and decline in stock prices were among negative factors, but we still maintain sound capital level, that is equivalent to AA rating.

Currently, internal study efforts are under way and capital management under a new framework in reference to European Solvency II.

We hope to disclose numbers in the philosophy under the new standard by the end of this fiscal year.

Please take a look at page 38.

From now, I'd like to focus on the forecast for the full year results by business segment.

First on two major P&C insurers.

As I said due to impairment losses on securities and floods in Thailand, we made downward revision to profit to industries to the forecast from the beginning of the term. BUT thanks to no more incurred losses from the earthquake and the reversals of catastrophic loss reserve, net income is expected to grow.

However, adjusted profit at the bottom of this table, is in red because it doesn't reflect the reversal of catastrophic loss reserve.

Page 39, please.

There are assumptions for the forecast, which was revised with the most recent developments in mind. Because of the impacts from typhoons losses to be incurred from domestic natural disasters were revised to ¥35 billion for Sampo Japan and 27.5 billion for Nipponkoa.

For floods in Thailand, we expected those ¥15.5 billion in losses for the group wide basis.

The reversal of that catastrophic loss reserve with expected progress in claims paid for Great East Japan Earthquake is expected to be to 25.6 billion for Sampo Japan and 29.8 billion for Nipponkoa.

Market indicators have been revised to the most recent levels. And capital gains and losses on securities based on the imperilment losses posted in the first half are expected to be 8.8 billion for Sampo Japan and 11.3 billion for Nipponkoa.

And losses from financial guarantee insurance remained unchanged from the original forecast.

Page 40 please.

This shows the full year forecast for net premiums written. Based on the strong progress in recent months with regards to the top-line, we have upgraded the number four Nipponkoa. Moving on to page 41.

Net claims paid and loss ratio on the written/paid basis is shown.

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Based on the impacts from natural disasters, we have incorporated deterioration in loss ratio especially in fire insurance.

Page 42.

Net claims incurred and loss ratio on earned/incurred basis is shown.

Based on impacts from natural disasters such as typhoon especially in fire insurance, we have incorporated deteriorating loss ratio.

Loss ratio for voluntary auto insurance, was likely start declining for the full year for two companies.

Page 43.

In life insurance as merger expenses, 8.2 billion in systems, 3.1 billion in headquarters relocation, and total 11.3 billion is expected resulting in net losses of ¥7.9 billion for the full year.

So we will expect to post deficits on an accounting basis, increase in adjusted EV on group adjusted profit basis, has remained unchanged from the original plan at ¥30 billion.

Page 44 please.

This is full year forecast for overseas insurance business. Because of the yen's appreciation among others, growth rate in premium income was slowdown compared to the first half but stay on a upward trend.

On page 45, let me talk about returns to shareholders.

Due to impacts from natural disasters, we expect to sustain losses for the full year. However, based on the basic policy to give priority to paying stable dividend, we have maintained expected dividend at the end of the fiscal year at ¥80 per share.

Going forward, by steadily implementing new management plan put together the other day, we will try our best to ensure stable returns to our shareholders.

That concludes my presentation. Thank you.

Questions And Answers

Q - Masao Muraki {BIO 3318668 <GO>}

Muraki of Deutsche Securities. My first question is related to the flooding in Thailand.

The coverage by reinsurance, that you're currently assuming and forecasting, is there a risk that it could sleep going forward?

And also should the reinsurance premiums rates in Asia, increase dramatically in the future, and maybe, if that would make it more difficult by reinsurance, how are you going to address that issue?

A - Shinji Tsuji {BIO 16148256 <GO>}

Thank you. This is Tsuji speaking. Regarding the coverage by reinsurance, the estimated amount itself. Actually we do have the policies that we underwrite multiplied by certain assumed loss ratio, to estimate the rate covered.

But as you are aware, the onsite investigation or the assessment cannot be made yet. So the assumptions that we are using are desktop assumptions if I may call them so.

We are just using all the information that is available to make the assumptions to make the forecast.

We do have relationship with reinsurance companies to think of the amount of underwriting amount and what is the rate of losses that we assume all these elements, would have direct impact on the business.

So there are sort of sensitive matters, so I'm afraid, I cannot disclose those with you. Bear with us.

And regarding your second question, whether or not the flooding in Thailand would impact the premium rates of reinsurance going forward and that might a negatively impact the coverage by reinsurance. That was the concern that you indicated.

Here again, the actual amount of losses have yet to be identified, we'll know better as the investigation the assessment progress. So it will all depend on what we'll find out. But generally speaking, given the current situation, I think we can expect the coverage by reinsurance would become more difficult going forward compared to the past?

Q - Masao Muraki {BIO 3318668 <GO>}

Thank you. My second question is on voluntary auto insurance. You said that there has been improvement in the number of accidents in your presentation. For the first half compared to the initial forecast excluding the natural disasters, what kind of improvement did you see in terms of the incurred losses?

And also compared to the initial forecast in your revised full year forecast, what are the revisions that you have made regarding the forecasted incurred losses compared to the initial forecast excluding natural disasters?

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A - Shinichi Hara {BIO 17738151 <GO>}

Shinichi Hara from IR, we will give you the answer later. So maybe we can take other questions first. Thank you.

Q - Mitsumasa Okamoto {BIO 1513316 <GO>}

This is Okamoto from Merrill Lynch.

I have a question on flooding in Thailand. The affect areas for reinsurance in principle, are they covered asset part of risk access or catastrophe access?

And my second question is, on page 26, you do have the sensitivity analysis for Sampo Japan, sensitivity to the foreign currency US dollars, compared to the end of March, I find that the sensitivity has decreased, is it because of the changes in assets and liabilities or is it because hedging proves to be effective, can you explain that?

A - Shinji Tsuji {BIO 16148256 <GO>}

This is Tsuji speaking. Your first question pertaining to the reinsurance. The way we think about that the schemes, that you've indicated actually between Sampo Japan and Nipponkoa thinking on reinsurance and the way to account for others, were different between the two.

So actually, the reinsurance coverage is considered based on the combination of the two approaches. So more covered by per risk, excess relatively speaking yes, that is correct.

A - Shinichi Hara {BIO 17738151 <GO>}

This is Shinichi Hara as IR, I'd like to answer your second question. On page 26. The sensitivity to the foreign currency in Sampo Japan, you said that compared to the past the sensitivity seems to have declined.

Well actually this turnaround, we are showing on a non-consolidated basis. Whereas previously, we were showing the consolidated figures.

We decided to look at the non-consolidate basis to see the impact on the assets. If you include the overseas subsidiaries, we'll have to look at the impact on the liabilities but we decided to exclude that and that's why, we're showing on the non-consolidated basis.

And that is why you see this figure there. So it's not necessarily the case that the risk has been reduced dramatically.

Q - Mitsumasa Okamoto {BIO 1513316 <GO>}

So do I understand correctly, that the sensitivity hasn't changed much?

A - Shinichi Hara {BIO 17738151 <GO>}

The foreign currency exposure has been reduced during the first half. So in that sense, yes sensitivity and reality has been lowered.

Q - Mitsumasa Okamoto {BIO 1513316 <GO>}

Thank you.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

I am Tsujino from JP Morgan. The incurred losses in auto insurance excluding natural disaster have improved, that's what you said. But in all insurance lines, incurred losses for Nipponkoa and for Sampo Japan, how are they compared to the previous year and to the first half of this year?

I think numbers are mostly flat, but their factors like household earthquake insurance is another included. So if you can give us specific numbers that would be appreciated? That's my first question.

A - Shinichi Hara {BIO 17738151 <GO>}

I am Hara from IR. In the first half of this fiscal year, the claims incurred excluding household earthquake insurance, this has a great impact, was recorded increase of ¥1.1 billion for Sampo Japan, have you excluded natural disasters such as typhoons.

Obviously household earthquake insurance and earthquake insurance I excluded but what about natural disasters such as typhoons. If you exclude those compared to the same term last fiscal year, how were the things, ¥1.1 billion thus include the impacts from natural disasters, oh, I am sorry, 1.1 billion is wrong, at Sampo Japan losses incurred from natural disasters for the first half, this fiscal year was ¥27.7 billion and excluding natural disasters in all insurance lines losses incurred is what you wanted to know.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

Well, compulsory auto liability insurance should be excluded, if it's too difficult then, what are the trends excluding natural disasters if you can give us a piece of trend? That will be appreciated.

A - Shinji Tsuji {BIO 16148256 <GO>}

I'm sorry, to have kept you waiting. In this first half, the loss incurred was ¥296.6 billion and in the previous year, it was ¥301.1 billion.

So that would give us a reduction of ¥4.5 billion and that is for Sampo Japan. Okay?

And as for Nipponkoa, the first half of this fiscal year, it was ¥155.2 billion and in the previous year, ¥157.4 billion. So that would mean ¥2.2 billion reduction was recorded.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

Understood. My second question is about incurred but not reported or IBNR, in auto insurance IBNR, we have seen about ¥2 billion increase from the end of March this year.

So for the last year, the loss ratio have been increasing, you said the reason why. If that is the case, then including IBNR and incurred loss ratio in auto insurance, seems to be flat or down from the year before, but is it actually declining more or has there been any additional impact from the typhoons recently?

A - Shinji Tsuji {BIO 16148256 <GO>}

The increase of ¥2.2 billion thus reflects worsening results of the past few years.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

Okay, understood. Then that means that there is no additional losses in the first half. If that's the case, then excluding those incurred losses in the recent months, maybe declining more?

A - Shinji Tsuji {BIO 16148256 <GO>}

Yes. That is correct.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

Thank you.

Q - Takanori Miyoshi {BIO 16985826 <GO>}

I am Miyoshi from Goldman Sachs.

My first question is on page eight of the hand out.

With regard to the revision of the full year forecast, the main factors are expanded impairment losses on securities and floods in Thailand. But with regard to the positive factor, 9.3 billion is it something that will occur on the recurrent basis, or is it something like one time gain on sale?

Can you give us a breakdown of this number?

A - Shinji Tsuji {BIO 16148256 <GO>}

Let me answer that first question. It is a small amount each, has been added up to constitute that number. Firstly, the auto and liability insurance outstanding loss reserve is expected to be reduced from the original forecast for Sampo Japan. And at the Nipponkoa the overseas outstanding loss reserve is expected to be reduced because of the yen's appreciation.

And at Nipponkoa the claims expected to be paid is reduced from Great East Japan Earthquake. And at Sampo Japan net interest and dividend income is expected to go up

from the original forecast and that is also a positive. And all these added up to cost of these numbers.

Q - Takanori Miyoshi {BIO 16985826 <GO>}

So expenses ratio reduction or loss ratio improvement none of those things that are recurrent in nature are included, is that correct?

A - Shinji Tsuji {BIO 16148256 <GO>}

That is correct, basically. However, the outstanding loss reserve in auto insurance in that sense has incorporated a slight improvement trend.

Q - Takanori Miyoshi {BIO 16985826 <GO>}

Okay. Thank you very much. My second question, page 37. Status of risk and capital.

Regarding that capital, I can understand, there is a slight decrease. But for risk compared to the end of March, I find that the risk has declined by about ¥100 billion, what accounted for this decline in risk?

A - Shinji Tsuji {BIO 16148256 <GO>}

This is mainly due to a decline in market values of stocks held.

Q - Takanori Miyoshi {BIO 16985826 <GO>}

I see. Thank you.

Q - Jun Shiota {BIO 4127431 <GO>}

Shiota from Daiwa Securities Capital Markets.

My first question. I understand that overseas companies did well but there are natural disasters taking place in some countries, is there a chance that these may show up in later quarters?

A - Shinichi Hara {BIO 17738151 <GO>}

This is Hara as IR. I don't think that's likely, that is because when we look at the geographical areas where natural disasters are affecting, our exposure is limited.

But one thing, if you go to the flooding in Thailand, Sampo Japan has a subsidiary in Singapore, which has a slight exposure, which will be reflected.

Q - Jun Shiota {BIO 4127431 <GO>}

But, it's not reflected in the first half results. But they will show up in the next quarter or in the second half, is that correct?

A - Shinichi Hara {BIO 17738151 <GO>}

Right, it is not included in the first half results, but it is reflected in our full year forecast.

Q - Jun Shiota {BIO 4127431 <GO>}

I see. Thank you. My second question is on possible reduction in corporate tax rate, being discussed at the National Parliament. Are you already calculating what the impact of that happening would be on your business?

A - Kazuhisa Tamura {BIO 3567238 <GO>}

This is Tamura of Accounting. The impact of revisions in corporate tax rate of course will have impact.

And we will be reducing the amount of deferred tax assets.

But when it comes to how you calculate the reduction is not clear. Are we going to use the tax rates, used after the revision or do we do the scheduling of tax recovery over a three year period.

So due to those uncertainties, it is very difficult to make the exact calculation. So we don't have any exact amount, that I can share with you. But hypothetically, assuming that effective tax rate of the corporate tax after the revision, we will be applied. We have made the rough calculation and the amount is about ¥24 billion, that's our current estimate.

Q - Jun Shiota {BIO 4127431 <GO>}

I see. Thank you.

A - Kazuhisa Tamura {BIO 3567238 <GO>}

This is Tamura from Accounting. And I like to give the answer to the earlier question raised by Mr. Muraki of Deutsche Securities. Compared to the initial forecast what was the result in the first half and what about the full year forecast?

Compared to the initial forecast, the actual result in the first half showed slight improvement it's the way we see it. But because of the natural disasters, we expect some additional payments in the area of auto insurance as well. So on the full year basis we believe, that the amount would be on par with the initial forecast.

Q - Analyst

I'm Osaka from Nomura Securities. Thank you for today, there is one question, there are two questions rather.

And firstly I have a question on page 45 on dividend. Just for clarification, despite downward revision of the forecast annual dividend of ¥80 per share will be maintained,

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that's what you said.

But suppose damages from Thailand floods increased or there is further deterioration in second half, there is no revision in dividend because it is based on net assets, so will that be correct? That's my first question.

A - Shinji Tsuji {BIO 16148256 <GO>}

Tsuji speaking. With regard to return to shareholders, we base this on the midterm management plan that was announced the other day. And we're looking at payout ratio from the midterm perspective. And we do have enough funds to finance dividend.

So to answer your question, it really depend on to what extent, there will be deviation from the full year forecast.

If the downside deviation is limited to a certain level, then we don't have any intention to change our policy at the moment. That's all.

Q - Analyst

Thank you. My second question has to do with page 25, the exposure in the European market, the numbers as of the end of September were disclosed. But if you can, can you just give us information such as any changes in October or November or any further selling that may have taken place?

A - Shinji Tsuji {BIO 16148256 <GO>}

Tsuji speaking. With regard to exposure in Europe at NKSJ Holdings as an advisory panel to the Board, there is investment committee, consisting of three external Directors and two internal Directors.

And one of those external Directors is a British.

And this committee gives recommendations to the Board on the investment.

And at this committee, the variables in the euro zone, are being closely watched. And it's just in euro zone but investments in foreign bonds in various countries are being discussed at the committee, thoroughly.

And at the moment, their stance is to continue to watch closely. And since the disclosure as of the end of September, there has not been any major actions taken.

Q - Analyst

Thank you.

Q - Kazuharu Miura {BIO 1513293 <GO>}

I am Miura from SMBC Nikko Securities. I have another question on dividends. You said that you are committed to midterm dividend.

But the harsh environment in the near-term and amount of risks are changing. And you're making preparations for establishing a new company. And if there is any change in your policy on dividend, what would be the possible trigger? That is my question.

FINAL

A - Shinji Tsuji {BIO 16148256 <GO>}

Tsuji speaking. The current midterm management plan is the basis for the dividend. And for the short-term period profit and loss if this is within our current assumption then there is no plan to change the policy.

If something completely out of the scope of our assumption happens then that maybe a different story. But for the moment, we don't have any intention to change our policy for the time being.

Q - Kazuharu Miura {BIO 1513293 <GO>}

Thank you.

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