

Y 2013 Earnings Call

Company Participants

- Shinichi Hara, Head of Investor Relations

Other Participants

- Azuma Ohno, Analyst
- Futoshi Sasaki, Analyst
- Jun Shiota, Analyst
- Kouichi Niwa, Analyst
- Natsumu Tsujino
- Unidentified Participant
- Wataru Otsuka, Analyst

Presentation

Shinichi Hara {BIO 17738151 <GO>}

My name is Hara, NKSJ Holdings. Thank you very much for participating today. In this conference call I'd like to mainly talk about the earnings result of FY'12 and also the forecast for FY'13. Other than this conference call, next Tuesday from 28, 3:30, we'd like to hold an IR meeting in the headquarters, and our CEO, Mr. Sakurada is going to talk about the business strategy next Tuesday. So I'd like to explain the earnings result.

Please page 1. This is a consolidated earnings result of NKSJ Holdings. The top line has been very stable, P&C plus 4.5%, Life plus 5.8%, and there is an increase in sales. Because of the recovery of the stock market, the investment environment was very good and the life insurance business has been very stable because of that JPY104.7 billion of ordinary profit and net profit JPY43.6 billion and there was a V-shaped recovery.

Page 2, please. This is the underwriting profit and loss situation of Sampo Japan and Nipponkoa. Excluding Great East Japan Earthquake and Thai Flooding, it was minus JPY50.9 billion. The loss ratio of the automobile insurance has been high and also because of the severe storms and such natural disasters and there was a higher loss ratio.

However, the overall automobile insurance balance is increasing because of the premium rate revision. And as shown on this graph, the second one from the left, according to the forecast as of November last year, except for special factors, the underwriting loss was supposed to be JPY63.6 billion, but actually it was improved by JPY12.7 billion. The main factor is the incurred loss improvement of the automobile insurance.

To the right, the impact from the Great East Japan Earthquake was JPY100 million plus, almost none as for Thai Flooding because of the reversal of the catastrophic loss reserve, the contribution was JPY33.9 billion. Accordingly we posted the loss of underwriting that is JPY16.9 billion.

Next page, please. This is the breakdown of the consolidated ordinary profit. P&C enjoyed a stable dividend and also stable stock market, and investment portfolio has contributed to the result. Life insurance business has been growing stably. And in this year the ordinary profit was appropriated as JPY8 billion, and overseas business JPY10.4 billion. After purchase method adjustment, the ordinary profit of the group was over JPY100 billion. NKSJ consolidated net profit was JPY43.6 billion. At the first years of the business plan that was announced last fiscal year, the starting was very good. Other than P&C, all the businesses such as domestic, life and overseas insurance business contributed positively. So for the first time after business integration, we were in the black.

Page 5, please. This is the top line situation of the domestic P&C insurance business, premium income growth per quarter based on sales activities. Since FY'11, because of the revision of the rate for automobile insurance year-on-year the situation has been very positive.

Page 6, please. This is the earned incurred base loans ratio. In FY'11 because of the two major typhoons and Thai Flooding and the loss ratio increased this fiscal year as well because of the severe storms and also natural disasters, the loss ratio was 67.8%. It was lower than the previous year, however, the level was high.

Another line at the bottom shows the earned incurred loss ratio excluding the impact of natural disaster year-on-year minus 0.2 and that became 63.1%. The loss ratio still is high.

Page 7, please. This is the expense ratio. Because of the reduction of the expenses and also the increase of sales, we are steeply lowering the expense ratios.

Page 8, please. This is the combined ratio. Excluding CALI, financial guarantee and also household earthquake. As you can see from the graph, year-on-year, this year was a minus and also because of the natural disaster 104.1% and also another graph shows excluding natural disasters because of the reduction of the expenses and sales increase, you can see the improvement stably.

Page 9, this is the combined ratio of the automobile insurance, our main product, because of the revision of the rate and we increased the premium income year-on-year 1.6% for FY'12.

It was 104.7 before, but now it's 103.1. And excluding natural disasters last year it was 103.9%, this year it was 102.1%, the improvement of 1.8%.

Page 10, please. Reported claims for automobile insurance is here. Quarterly based year-on-year progress can be seen here. For FY12, overall, the level is lower than the previous

year.

Page 11 please. The domestic natural disaster situation. In April, we had severe storms and in May we had tornadoes and hailstorms and also we had some typhoons. Because of that, the incurred loss was JPY65.9 billion that was higher than the forecasted JPY58 billion.

Page 12, this is Thai flooding situation. In FY12, the group total was JPY40.2 billion of the profit. The breakdown is two domestic P&C companies recorded a profit of JPY33.9 billion and because of the reversal of catastrophic loss reserves and the overseas subsidiaries, JPY6.3 billion.

Please turn to page 13. This is investment profit and loss. Investment profit increased mainly due to gains on sales of securities resulting from stock reduction. The year-on-year growth was roughly JPY100 billion, reaching JPY159.9 billion. The unrealized gains increased significantly at the end of first half, but thanks to the rapid recovery in the equity market, at the end of the day, the unrealized loss ended up to be a smaller amount. So as a reference, at the bottom table, you will see the actual from fiscal 2011 and the revised outlook we announced in November. So you can see the changes.

Please turn to page 14. This is the domestic life business. We are focusing on the self expansion of the protection type-product with a higher margin, so the annualized premium in force of such product has grown by 5.9%, outpacing the growth of 3.1% for the savings type. This is underpinning the steady growth of EV. On the left is the annualized premium in force for the protection-type, and on the right is for the saving type.

Please turn to page 15. Here I'd like to talk about the insurance premium on our PL. Given the recent interest rate environment, we have been scaling back the sales of the insurance product with lump-sum payment as well as the premium for the lump-sum payment have -- significantly reduced, but excluding that, the growth was 5.7%. On the left is the insurance premium with the lump-sum payment. On the right is the premium without the lump-sum payment. As you can see at the bottom table, the overall premium increased by 2.9%.

Please turn to page 16. This is the profit base under the J-GAAP for our life business. NKSJ positions domestic life business to be the growth business and we are shifting personnel from the P&C business to the life business. We are absorbing the expenses associated with such personnel shift and the basic profit increased from JPY5.8 billion in 2011 to JPY12.1 billion in 2012. The net income turned into black of negative JPY11.1 billion in 2011 to JPY4.4 billion in 2012. So here we also saw a big profit growth.

Please turn to page 17. This is the group outlook for the full-year for fiscal 2013. For the P&C business in our mainstream auto insurance product, effective April this year we changed the products and the premium. Subsequently, we expect the top line to grow. So investment profit, we have used assumption for the market environment as of end of March this year. And in accordance with our business plan, we are allocating resources to the growth business of life and overseas business and aim to expand the service

business. For this fiscal year we are expecting an ordinary profit of JPY81 billion, with net income JPY34 billion.

Please turn to page 18. And just for reference we will give you the breakdown of the consolidated ordinary profit. We'll continue to work on improving the underwriting profit mainly by focusing on the auto insurance business and expect a higher ordinary profit with gains on sales of investment securities. On the left-hand side you see the underwriting profit excluding extraordinary item, this was 31.4 billion. In fiscal 2012 it was a negative of JPY50.9 billion, but the improvement was over JPY20 billion.

And then moving to bar to the right, this is the investment profit. Last fiscal year it was JPY159.9 billion, it decreased from that level, but we will be focusing on the sales gain of the investment securities to generate such profit. And for life, we are focusing on the growth by EV base and we are now entering a phase, so that the business can contribute on an accounting basis. After reflecting a certain level of purchase and consolidation adjustment, we project ordinary profit of JPY81 billion.

Please turn to page 19. And this is the domestic P&C business. We aggregate the Sampo Japan and Nipponkoa. The revised fleet should drive the auto insurance premium and the net premium written, excluding CALI, is expected to grow by JPY50 billion. The loss ratio will come down as we assume a normal level of natural disaster related loss of JPY38 billion. And the net payments premium will increase, so with that, we expect a combined ratio to improve by 4.6 percentage points on a year-on-year basis.

Investment profit is likely to come down by JPY13.1 billion with less gains expected from the investment securities sales. As a result, the ordinary profit is expected to be 114.9 billion, with net income of JPY63 billion.

Please turn to Page 20. This is the profit expectation for the auto policies. In the last few years the profitability of the auto policies have deteriorated, and to cope with that, we have raised the rates step by step and in October of 2012 revised the product so as to reflect the change in the drivers grade table. We implemented further revision for product and rate in April 2013. Thanks to these efforts, we expect the loss ratio in 2013 to continue to improve from 2012.

Please turn to page 21. This is the assumption of the domestic life business earnings forecast. I will skip the details.

Please turn to Page 22. This is earnings outlook for the domestic life business. And I will give you more details about EV using this slide. Our policy is to focus on the self expansion of the protection-type with a higher margin, and by expanding the policies in force, we expect to achieve a sustainable growth of roughly JPY100 billion on an adjusted EV basis.

The adjusted EV growth in 2011 and in 2012 increased by close to JPY100 billion. However, out of this, JPY27 billion to JPY28 billion was due to the changes in the assumption for

calculation purposes. So it was a transient factor. Mainly the changes were due to better expense ratio and renewal rate.

For fiscal 2013, the growth of adjusted EV will be lower compared to the past two years at JPY95 billion, but the one-off factor will be just limited to JPY3 billion. So excluding that, the growth in effect will be JPY92 billion and we expect to see a sustainable growth trend. And these figures are indicated at the table, the third line from the top. From JPY72.1 billion, we have seen a growth of roughly JPY10 billion every year.

Please turn to page 23. This is the earnings expectation for the life Business under the accounting business. The basic profit will grow year-on-year by JPY2.1 billion to JPY14.2 billion. The net income is expected to grow by JPY6 billion. Over 100 headcounts reduction at the headquarter will help cut the indirect costs associated with the merger. Shift to protection-type policies raises the renewal rate and increasing premium allows us to call for continued trend of the profit growth.

Please turn to page 24. This is the overseas business. The top line is growing steadily. And on the right hand side, you see the profit. In fiscal 2012, we achieved profit growth, but we expect profit decline for fiscal 2013. This is because the business side is still small and we are still halfway in achieving the goal of securing stable profit from this business.

Please turn to page 25. This is the adjusted consolidated profit which is our KPI. In fiscal 2012, the domestic P&C business was negative JPY8.9 billion. It was still in the red ink, but compared to the previous fiscal year and compared to the revised outlook, we saw rapid recovery. So the adjusted consolidated profit improved from the original expectation of JPY54.4 billion to 111.6 billion, we were able to top JPY100 billion mark. For fiscal 2013 the domestic P&C business were turning to black after a long time and domestic life business will be able to achieve a high level of profit. The adjusted consolidated profit will grow slightly to JPY113.5 billion. From page 26 you will find the detailed data for reference.

Thank you very much for your attention.

Questions And Answers

Operator

Now we'd like to start the Q&A session. (Operator Instructions) First, Mr. Baraki [ph] from Deutsche Securities.

Q - Unidentified Participant

My first question is about the balance of the domestic P&C business. In November when you explained the business plan, for fiscal year '13 the balance would be JPY25 billion, that is the improvement you have presented, year-on-year it's plus JPY56 billion of improvement, that was your forecast. And the actual result of FY'12 and the actual plan for FY'13 right now compared to the November announcement, have you changed the situation? That is my first question.

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A - Shinichi Hara {BIO 17738151 <GO>}

Answer for the first question. As was presented by the business plan, we have some numbers for the improvement of the balance. The definition is that, first of all, we have to exclude the one-off cost for business integration. And as far the natural disaster, FY'12 we forecasted already more than JPY50 billion, but every year we would like to level it off at JPY38 billion. And altogether, we'd like to focus for the improvement. And FY'12 forecast was minus JPY30.9 billion, but the actual was plus JPY14.4 billion that was in black. And as for FY'13, our forecast was, in those days, JPY25 billion. And according to the current forecast, it's going to be JPY33.6 billion. In that sense, the starting point in FY12 was improvement and also for FY13 we are improving as well. And as for the increase since the end of FY12 to the start of FY13, it's a little bit less than JPY20 billion compared to the first forecast of increase of JPY50 billion. The incremental amount from FY12 through 13 is slightly smaller compared to the first forecast. Did it answer your question?

Q - Unidentified Participant

Okay. Compared to the conventional plan for FY12, it's plus JPY45 billion. That is the actual performance. What was the reason for the improvement?

A - Shinichi Hara {BIO 17738151 <GO>}

The main reason for the improvement we consider is the incurred loss on automobile insurance that was improved -- that was better than the assumption.

Q - Unidentified Participant

Thank you very much. My second question is about the automobile insurance. The reported claims as in page 10, in Q4 it declined. Because of the snowstorms last year there was an impact, but compared to two years ago, it's a decline. Is that because of a change in drivers grading table?

A - Shinichi Hara {BIO 17738151 <GO>}

And because of the revision of the grade table, the small claims paid tend to decline; that is true. However, we haven't analyzed the situation in detail. So how much improvement was because of the change in drivers grade table is still unclear, but as you say, that is the tendency.

Q - Unidentified Participant

If so, when you have less claims to be reported, especially for March 2014, the claims paid declines and the balance improves. So after a year, that means March '15, the next fiscal year, the premium income declines. So the balance increases and after that the balance goes back to a declining tendency because of the time lag. Is that true?

A - Shinichi Hara {BIO 17738151 <GO>}

Yes, basically that's true. What's incorporated in the business plan is the revision of the grading system and also the increase in premium income. So suppose we have less

claims to be reported for smaller claims, if that's the tendency, it's possible that we can see the situation as you described, yes. Thank you very much.

Q - Unidentified Participant

Thank you very much.

Operator

Next is a question from Ms. Tsujino from JPMorgan.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

Thank you very much. My first question is that in your earnings outlook for 2013, I believe you include the remaining claims payment for Thai Flood. When you add the current claims payment projection for natural disaster related losses, and also the claims payment for Thai Flood, based on that calculation for the fire insurance business line, I wonder if there is going to be a drawdown of the cat loss reserve or not. What I want to know is as follows. There was a delay in the claims payment for Thai Flood. So some of the payment was carried over to fiscal 2013. Would that result in the drawdown of the cat loss reserve and would that artificially increase the profit for 2013?

A - Shinichi Hara {BIO 17738151 <GO>}

Regarding the Thai Flood, in fiscal 2012, the actual claims payment was smaller compared to what we had initially projected. Also the drawdown of the cat loss reserve was smaller than expected. And for the fiscal year, fiscal 2013, and the claims payments regarding Thai Flood is projected to be 21.1 billion for the two P&C company.

And also in fiscal 2014 there will be additional JPY6.1 billion remaining to be paid, that is the assumption in our plan. And regarding the drawdown of the cat loss reserve, and how we make use of this, meaning which claims payments we'll be using of the cat loss reserve, will be based on their own judgments, because there are still some claims payments to be paid for the Great Japan East Earthquake, also it can be used for that claims payment. But if we were to assume that the Thai claims payments will be using the cat loss reserve, then that will be fully covered by the cat loss reserves.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

I think you mention 6.1 billion, but isn't it larger?

A - Shinichi Hara {BIO 17738151 <GO>}

That's right. So for fiscal 2013 the claims payment will be JPY21.1 billion, which can be fully covered by the drawdown of the cat loss reserve.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

And my second question is what is the difference between the consolidated and the non-consolidated number for your fiscal year 2013 outlook?

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A - Shinichi Hara {BIO 17738151 <GO>}

At this point, when you aggregate Sompo Japan and Nipponkoa, the ordinary profit is JPY114.9 billion. The consolidated ordinary profit is JPY81 billion; for Himawari, it's 10 billion, and for the overseas underwriting business, I believe this year is going to be roughly JPY10 billion or so, and the same figure for the purchase method. Well, then, everything else other than what I just mentioned, I think is going to be a bigger loss.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

So what are those losses? Also I want to know the difference between the non-consolidated and the consolidated ordinary profit, whatever is not Sompo Japan, Nipponkoa, Himawari, overseas or purchase.

A - Shinichi Hara {BIO 17738151 <GO>}

I think in fiscal 2012, the loss was slightly bigger than expected, and I think for this fiscal year, the loss is going to further increase.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

What are those losses?

A - Shinichi Hara {BIO 17738151 <GO>}

Okay. First, on the overseas business, if you expect JPY10 billion, I think that will be too optimistic. So the projection will be close to JPY4 billion, and this is indicated on slide 24. This is on an account -- this is not on an accounting basis, so it's under a different definition. Last year was 11.8 billion. 2013 is JPY4.3 billion.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

That's net income base, right?

A - Shinichi Hara {BIO 17738151 <GO>}

That's right.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

So pre-tax basis will be slightly larger than that?

A - Shinichi Hara {BIO 17738151 <GO>}

That is correct. I will check the pre-tax figures, but I think it will be slightly bigger than those numbers. So for other things, we have sales on auto and fire. For this line of business, in the fiscal year that just ended, on an operating profit basis, it was a loss of JPY6.7 billion. Also last fiscal year, it was a loss of JPY6.7 billion and this year we're expecting a loss of JPY9.5 billion. With this business, from fiscal 2011, we have started a full-scale promotion to conduct the direct sales of auto insurance policies. So right now we are making front-loaded investments for promotions and also setting up the systems. So at this point, for the time being, we are not expecting to generate profit from this business.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

Thank you very much.

Operator

Thank you very much. The next person is Mr. Otsuka from Nomura Securities Company.

Q - Wataru Otsuka {BIO 16340098 <GO>}

My name is Otsuka from Nomura Securities. My first question is about the sale of strategic holding stocks. In FY'12 and also for FY'13 how much have you and are you going to sell the strategic holding stocks?

A - Shinichi Hara {BIO 17738151 <GO>}

As for FY'12, the actual result was JPY197.8 billion that was sold and I'd like to repeat our three-year plan that is from FY'10 to FY'12 for the three years we would like to reduce JPY300 billion.

In the fiscal year 2012, our first plan was to reduce JPY127.1 billion, but the actual result was much larger than that, JPY197.8 billion. So totally for three years, we would like to reduce JPY370.8 billion. And as for FY'13, basically, we would like to be actively reducing the strategic hold stocks. However, since the stock market is largely moving right now, we would like to watch the situation of the stock market and that is our plan.

Q - Wataru Otsuka {BIO 16340098 <GO>}

So as for the scale, how much would that be? According to the plan, last fiscal year was JPY130 billion, would that be the same?

A - Shinichi Hara {BIO 17738151 <GO>}

It really depends on the market. For the details next year in the IR meeting, we would like to explain more. FY'12 we have sold at the level, that is the level we would like to aim at for FY'13.

Q - Wataru Otsuka {BIO 16340098 <GO>}

Okay, thank you very much. My second question is about the one-time costs for business integration. In FY'12 the actual result and also according to the business plan that was presented last autumn, it was JPY16 billion, but hasn't it changed?

A - Shinichi Hara {BIO 17738151 <GO>}

As for the one-time cost, the plan for FY'12 was JPY24 billion and the actual result was almost the same, JPY24.8 billion. And for FY'13, as you say, the plan was JPY16 billion. However, it was smaller than JPY16 billion for FY'13, actually it's going to be JPY14 billion or so.

Q - Wataru Otsuka {BIO 16340098 <GO>}

So this JPY14 billion, for example, probably the other items on the PL would change and depending on that, do you think that the timing would be faster or the timing would be later?

A - Shinichi Hara {BIO 17738151 <GO>}

As for FY'13, I don't think there will be a big movement, the probability is low, because the effect of the system consolidation would be realized around FY'14., So FY'13 probably we can see the effect from labor cost reduction and also the integration of the P&C companies. And as a result, and the reduction of the office rents. So we accumulate those for the plan. Accordingly, there is less possibility for us to see a big movement, yes. Thank you very much.

Q - Wataru Otsuka {BIO 16340098 <GO>}

Thank you very much.

Operator

The next question is from Mr. Shiota from Daiwa Securities.

Q - Jun Shiota {BIO 4127431 <GO>}

Thank you very much. On page two, you showed the actual result with the revised outlook you announced in November. The loss of 63.6 billion was mitigate to JPY50.9 billion. I think that was mostly from the profit improvement for the auto business. Was it because the claims payment was less than compared. And looking at the breakdown, was it because of the amount paid per claim or the number of claims filed?

A - Shinichi Hara {BIO 17738151 <GO>}

It's regarding the amount paid per claim. To our disappointment, it continues to rise. And as we indicated with the graph earlier, the number of claims filed is on a declining trend. Also if I were to point out, which is contributing more, it is a volume impact. Having said that, it's difficult to do the detailed accurate analysis.

Q - Jun Shiota {BIO 4127431 <GO>}

And for this fiscal year, do you expect the amount paid per claim to go up? Is that your assumption in your plan?

A - Shinichi Hara {BIO 17738151 <GO>}

Yes. Basically, our plan for fiscal 2013 is based on the assumptions are made in the mid-term business plan announced in November last year. And we'll make some fine adjustment looking at the recent environment. And for the amount paid per claim, we expect a certain level of rising trends going forward.

Q - Jun Shiota {BIO 4127431 <GO>}

My second question is on page 25 where you showed a consolidated ordinary profit. I'm sorry to ask such a detailed question. But for fiscal 2015 compared to that, this fiscal year the overseas profit is coming down. What is the reason behind this? Why is the overseas profits declining compared to last fiscal year?

A - Shinichi Hara {BIO 17738151 <GO>}

For fiscal 2013, the profit for the overseas business will come down. We have many overseas entities and the performance is mixed. Some are enjoying profit growth, some are seeing profit decline. But overall, what is common across the board is the recent interest rate environment or the interest rate coming down, not just for the Japanese yen, but for the U.S. dollar as well. And so with that, the investment return is coming down.

And for some overseas entities, prior to the integration of the domestic P&C business, the overseas offices are also planned to be integrated in advance. So there are some one-off cost associated with the integration, which is on the rising trend. Also those are the main factors. Thank you very much.

Q - Jun Shiota {BIO 4127431 <GO>}

Thank you very much.

Operator

Next Mr. Niwa from SMBC Nikko Securities Company.

Q - Kouichi Niwa {BIO 15177024 <GO>}

Just very briefly I'd like to know one thing. March 2013, as of the timing, how much is the solvency margin ratio and what is the policy for return to shareholders? Do you have any updates?

A - Shinichi Hara {BIO 17738151 <GO>}

As for solvency margin ratio, Sampo Japan 645.6, Nipponkoa 534.0, NKSJ Himawari Life 1,555.3.

Q - Kouichi Niwa {BIO 15177024 <GO>}

Thank you.

A - Shinichi Hara {BIO 17738151 <GO>}

Did it answer your question?

Q - Kouichi Niwa {BIO 15177024 <GO>}

Well, the economic value?

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A - Shinichi Hara {BIO 17738151 <GO>}

Our company is targeting AA rating, value up risk is 99.95%, to make a good balance between the capital and the risk. And this capital versus risk, capital divided by risk is called solvency margin ratio in our company, as of March 2013, that's 146%. The capital, the breakdown of capital and risk is, capital JPY2.2 trillion, risk JPY1.5 trillion. And when you subtract the risk, the buffer is about JPY700 billion. Compared to the end of last fiscal year, well, the numbers for the last year was solvency margin, 129%; capital JPY1.9 trillion, risk JPY1.5 trillion, buffer JPY400 billion.

And as for return to shareholders, as of now, we have a fact we have already made public. The projected dividend that was announced today with the earnings result was JPY60 per share for the year and mid-year payment is JPY30 and second half, JPY30. So totally JPY60 per share, as for share buyback.

As for return to shareholders in FY12, the announcement as of November last year is the latest number, JPY20 per share equivalent. That is some JPY80 billion or so. That is announced already, but we have not made an official decision yet. So at an appropriate timing, we would like to disclose how much and we would like to disclose the timing as well, but we have not made an official decision yet.

As for the return to shareholders for FY13, I have mentioned the dividend already. And as for the overall return to shareholders policy, we would like to hold an IR meeting next week on the 28th. That time, the management is going to disclose.

Q - Kouichi Niwa {BIO 15177024 <GO>}

Thank you very much. It's very clear.

Operator

Next question is from Mr. Sasaki of MUFG Morgan Stanley.

Q - Futoshi Sasaki {BIO 17564798 <GO>}

Hello, I have just one question. As of April, what's the derivative position you took on the equities? I believe last year in order to reduce the business-related stocks, I think you took some short position of the futures. This year at this point, what is your position of the futures?

A - Shinichi Hara {BIO 17738151 <GO>}

Regarding the futures, in order to steadily downsize our equity holdings, we are making use of it as a tool and last fiscal year, we made an effective use for the futures. For example, for fiscal 2012, for Nipponkoa, at the outset of the year, the company took a short position to cover for all the amount of stocks that was planned to be disposed for the full year. For this fiscal year we have not taken such a position. However, we will continue to make use of the futures in order to reduce our equity holdings, that policy remains unchanged. So you look at the market environment and you considered to take a

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position to a certain level at the beginning of the year. So I guess you will continue to carry out that policy going forward. Yes, that is correct. Thank you very much.

Operator

The next person is Ms. Tsujino from JPMorgan.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

I'd like to have some numbers. The FY'13 forecast is written on page 17, yes, on page 17. Since the businesses were integrated, you have a total number of Sompo Japan and Nipponkoa. But I would like to have the breakdown ordinary profit and net profit, and also if possible, underwriting profit and loss, I'd like to have a breakdown of Sompo Japan and Nipponkoa.

A - Shinichi Hara {BIO 17738151 <GO>}

Okay. Starting from Sompo Japan, the net premise [ph] return, okay. Ordinary profit, well, underwriting profit and ordinary profit and net profit, okay. Sompo Japan, the underwriting loss of minus JPY5.2 billion, the investment gain JPY82.7 billion, ordinary profit JPY62.4 billion, net profit JPY33 billion. The next one is Nipponkoa, underwriting loss of minus JPY5 billion, investment gain of JPY64 billion, ordinary profit of JPY52.5 billion, net profit JPY30 billion.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

Thank you very much.

Operator

Next question is from Mr. Ohno from Barclays.

Q - Azuma Ohno {BIO 15313120 <GO>}

I have one question. Regarding the net interest and dividend income for the domestic P&C business, the actual result was bigger compared to the outlook given in November. Why was that? And why do you expect the interest dividend income this year to come down?

A - Shinichi Hara {BIO 17738151 <GO>}

The net interest and dividend income was greater compared to the November forecast mainly because there was a redemption profit on the fund. Such redemption profit according to the accounting rules are to be booked under the interest dividend income. So that was why the income was greater than the plan. For this fiscal year, absence of such redemption profit is the reason why we are projecting a decline in the interest and dividend income.

Q - Azuma Ohno {BIO 15313120 <GO>}

Thank you very much.

Operator

Thank you very much for your participation. With this, we would like to complete the Q&A session and close the conference call at this time. Thank you very much.

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