Y 2019 Earnings Call

Company Participants

- Taizou Ishiguro, 'Group Leader of Corporate Communications & IR Group Inc'

FINAL

Presentation

Taizou Ishiguro {BIO 20620398 <GO>}

Ladies and gentlemen, thank you for participating in the Conference Call Today. And my Name is Ishiguro from the IR group of Tokio Marine Holdings. I like to talk about the Fiscal 2018 Results and 2019 Projections of Tokio Marine Holdings, which we have just announced today. In this conference call.

I like to explain just[ph] of the financial results and projections using the PDF material, which we have just posted on our website. And I will take about first ten minutes for my part. After my part is finished. I like to take questions from the audience.

Please go to Page 3 of the material. First I'd like to explain about the Net Premiums Written or Top-line. our Fiscal 2018. On consolidated basis we have achieved year-on-year plus 0.6% increase with Top-line.

The breakdown is as follows for domestic non-life insurance business that we have achieved a 1.1% increase due to increase in Top-line for all lines of business except CALI For International business, it was year-on-year Negative 0.3% mainly due to the impact of the yen appreciation. On local currency basis it was year-on-year plus 4.1% with North America, Latin America and Asia especially doing well. Next is projections for fiscal 2019. We are projecting year-on-year 0.8% decline in top-line due to lack of premium income from re-insurance business TMR which we have sold.

Excluding the impact of sales of the TMR, it will be year-on-year plus 3%. So the underlying business is doing well. Next I would like to explain about the Life Insurance business, for fiscal 2018 decline internal variable annuities a former financial life, full contribution to Medical stop-loss business or TMHCC, a distance[ph] they acquired in 2017, and other factors resulted in year-on-year 10.5% increase in Life Insurance Premium. For fiscal 2019 full-year projections, we are factoring in the sales suspension of products for corporations at the TM&N[ph] and projecting 2.2% decline in Life Insurance Premiums.

Next, I would like to explain about financial accounting basis consolidated net income which is our bottom line. for fiscal 2018 on consolidated basis it was Yen JPY374.5 billion decline in bottom line by 9.6 billion, while we saw growth in profits at the international business and domestic life insurance businesses, domestic non-life business saw decline in profit. Another factor was the extraordinary loss we booked on consolidated basis associated with the sales of TMR which is rather a technical factor. I will explain the main points for each area.

In domestic non-life Insurance business though we were hit by one of the largest natural catastrophes in the past. The loss results affected by the reversal of a catastrophic loss reserve, however in investment hedging lost was affected due to appreciation of Japanese yen, which resulted in the profit declined by JPY9 billion year-on-year. This hedging loss will get balanced out after the profit and loss of the intended assets are added. In Domestic Life Insurance business, we saw a reaction from the additional provisioning of underwriting reserve last year that was necessary after the last-minute demand prior to the reduction of standard interest rate in April 2017.

There was also an impact from sales decline in products for corporations these together resulted in 11.7% increase in profit. In International Insurance business, there was a reaction from the reversal gained of the TCL[ph] in fiscal 2017 due to transferred revisions in the United States. In fiscal 2018, natural catastrophe was benign and it was helped by risks performance of Delphi and Brazil. International business saw increase in profit by JPY9.7 billion.

Lastly on the impact of the divestment of TMR, we have booked JPY22.5 billion divestment lost. And for the selling value of TMR, the deal was closed with 1.02 multiples of total tangible net asset after the news release in October of 2018 against depreciation of the yen, since the establishment of TMR effects translation adjustment was booked on the balance sheet of TM Holdings, according to the accounting rules this amount was realized on the P&L after timing of the divestment and this was the main reason behind the divestment loss we have booked that time. Next if you look at Page 4, where I will explain the Bottom-line projection for fiscal year 2019 Net income on a accounting reported basis is projected to grow by JPY50.4 billion year-on-year to JPY325 billion. In the projection we are assuming an average level of natural catastrophes continued profit growth driven mainly by North America and the reversal effect of the divestment of TMR Adjusted net income on the other hand takes out the fluctuation of catastrophes loss reserves and gains and losses associated with business investment and so is projected to grow by JPY119 billion year-on-year to JPY400 billion.

Natural catastrophe funds are also shown on the slide, as explained from before as the size of natural catastrophes in fiscal year 2018 only happens about once every 30 years in our company's risk model, which was within our expected range and because we will get the funds on a global basis combining, domestic and overseas, we project net incurred losses relating to natural catastrophe to be JPY98.5 billion taking into account disposal of TMR That I first we will continue to closely watch that natural catastrophe trends in any case. Finally I'd like to talk about ESR and Shareholder return. Please skip to Page 29. ESR at the end of March 2019 was 174% compared to the end of September last year ESR went down by 23 points, mainly owing to interest rate decline, not only did yen interest rates decreased but the flattening of the year curve also had an impact.

174% is within our company's target range. So, this enables us to flexibly consider business investments, additional risk taking and shareholder return. Next regarding shareholder return, as stated in the press release today ordinary dividends for fiscal year 2018 will be

JPY180 of share of planned and for fiscal year 2019 dividends are projected to be JPY190 of share, which will marked eight consecutive periods of dividends increasing. We also announced today share buyback worth JPY25 billion as I means this is capital adjustments.

As explained earlier ESR levels are currently within our target range, and thus we made a decision by taking into account comprehensive matters, such as the market environment as well as business investment opportunities. Incidentally, the total amount of shareholder return for fiscal year 2018 is JPY253 billion, which is combined stuff JPY128 billion ordinary dividends as well as the capital adjustment of JPY125 billion which includes JPY100 billion announced at the interim period. The total amount is close to fiscal year 2018 adjusted net income up JPY280.9 billion and reported income of JPY274.5 billion. Lastly, in fiscal year 2018 we were hit by record level of natural catastrophe losses however, thanks to the various[ph] International Insurance business that supported earnings, natural catastrophe losses that exceeded the expectations were contained to about 30% of adjusted net income on a group like basis.

Moreover despite the challenging environment, we have continued to share to a disciplined capital policy and we believe that this stands has been well received by our investors. Going forward we'd like to continue to firmly execute the growth measures raised in the midterm plan and steadily raise the revenue producing power of the Group. This concludes my presentation.