

Sompo Japan Nipponkoa Holdings Inc Equity Method Investment in SCOR M&A Call

Company Participants

- Mr. Kurimisaka, Head of Global Strategy, Global Business Planning Department
- Shinji Tsuji, Senior Managing Executive Officer, Director
- Unidentified Speaker, Unknown
- Yukinori Kuroda, Head of IR

Other Participants

- Futoshi Sasaki, Analyst
- Jun Shiota, Analyst
- Koichi Niwa, Analyst
- Masao Muraki, Analyst
- Natsumu Tsujino, Analyst
- Taichi Noda, Analyst
- Wataru Otsuka, Analyst
- Yusuke Yabumoto, Analyst

Presentation

Shinji Tsuji {BIO 16148256 <GO>}

My name is Tsuji from Sompo Holdings. Thank you for attending this conference call, despite your busy schedule.

I would like to take the first 15 minutes or so to explain about the equity method investment in SCOR, which was announced today. I will then take questions from the participants. And for anything that is related to management I will be answering the questions. For anything that is specific to SCOR, I would refer to Mr. (Kurimisaka) who is with me in this room who is Head of Global Strategy, Global Business Planning Department, to answer those questions.

If you go to our website, the presentation materials are posted there. So please refer to the materials on the website. And please turn to page two of the material.

Let me now explain about this transaction. Today, Sompo Holdings has reached an agreement to acquire a 7.8% of stake in SCOR from its largest shareholder, Patinex.

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Sampo Holdings plans to increase its stake in SCOR in order to apply an equity method, subject to approval from relevant authorities. Upon acquisition of 15% of its voting rights, a representative from Sampo Holdings is to be proposed for nomination to the Board of SCOR in order to support the management of SCOR.

SCOR is a global P&C reinsurance company and a leading player in life reinsurance markets, which has realized premium growth and ROE. Sampo and SCOR have enjoyed good business relationships through reinsurance transactions and have also sent the personnel for the purpose of promoting ERM.

We believe this transaction will allow us to enter into the life reinsurance market, which is a market with a high entry barrier, through such a reliable partner.

Please turn to next page. I'd like to explain about the purpose of the investment and the impact on Sampo Holdings. This transaction is an investment for growth in line with the overseas business plan and helps to materialize the plan. By incorporating SCOR into an equity method company, we hope it contributes stable earnings and diversify revenue stream and risk.

After it becomes an equity method company in fiscal 2016, we are expecting about JPY10 billion of profit contribution. With this, it will be possible to raise EPS by JPY24.

Obviously during the due diligence process, we have confirmed that our performance indicator of ROE will also go up. Impact on the internal solvency ratio will be limited to minus 5 points and we believe this is a limited impact so will not require any adjustment. And capital policy will not change since we do not need any fundings to be necessary for this transaction.

Please turn to page 4. This page is an outline of the previous largest shareholder of SCOR, Patinex. Patinex is a prominent Swiss investment company owned by. And led by a well-known investor, Mr. Martin Ebner. And his wife Rosmarie Ebner.

In 2004, Patinex invested in P&C reinsurance company, Converium. And since the acquisition of Converium by SCOR in 2007, Patinex became the largest shareholder of SCOR. As the largest shareholder, Mr. Ebner supported the business of SCOR and contributed to the achievement of its high above industry average growth.

We intend to acquire Patinex's entire shareholding of SCOR to become the new largest shareholder and support future development of SCOR in various aspects, as well as to enhance constructive relationship for the prosperity of both Sampo and SCOR.

Please turn to page 5. Based on yesterday's share price. And assuming we are to acquire 15% of voting rights, the total investment amount is expected to be approximately JPY110 billion.

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Specifically, after we acquire the shares held by the current largest shareholder, we plan to increase the stake in SCOR by one-on-one transactions from current shareholders as well as acquisitions from the market. Ultimately, at the timing of Annual General Meeting planned in May 2016 at SCOR, we plan to complete the process of turning SCOR to become an equity method company.

SCOR's PBR as of March 5 was as low as 0.97 multiple. And we believe we can acquire these shares at an appropriate price level. Also, this transaction should exceed our hurdle rate to be applied to overseas business investment.

Please turn to page 6. For your reference, I will provide you with the outline of SCOR. SCOR is a leading reinsurance player headquartered in Paris. Under the leadership of current Chairman and CEO, Mr. Denis Kessler, it continues to grow its business. Its credit ratings is tantamount to what we have. And for ERM, it has received a very high risk rating of very strong from Standard & Poor's. It is indeed an insurer with excellent and financial soundness and risk management.

Please turn to page 7. Core strengths of SCOR are, as mentioned earlier, its material presence in the life reinsurance segment where entry barrier is high. And its high quality service and strong client relationship. Combined with sophisticated ERM, they have controlled cat risks and long-tail risks to maintain healthy development.

Please turn to page 8. This shows you business portfolio of SCOR. They have balanced P&C reinsurance and life reinsurance, while well diversifying its business portfolio geographically. P&C reinsurance is mainly in short-tail risks. And life reinsurance is mainly with death prediction.

Page nine please. With assisted business performance, its gross written premium is higher than industry average, growing at the pace of over 14% CAGR in the last five years on average. ROE also remains at higher level, around 10%. And its bottom line is stable and growing.

Incidentally, just yesterday, 2014 figures were announced. ROE recorded 9.9% and profit was JPY68.4 billion. Combined ratio of P&C reinsurance, the indicator of financial soundness. And the technical margin of life reinsurance, are both stable.

Now please turn to page 10. This is for your reference for P&C reinsurance and life reinsurance markets. Both markets, over the last five years, have steadily improved by around 5%. And SCOR is the world's fifth largest player in both markets.

Page 11 please. This shows you the strategic significance of the transaction for our Company. By entering life reinsurance business, which is high barrier to entry. And a large share of which is occupied by some big players, we believe we are able to diverse and decentralize risks and outside the retail segment in advanced countries, which is considered rather low in priority for overseas investment.

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While learning the robust ERM system of SCOR, we are also going to strengthen global ERM structure to continue to grow with control.

Please turn to page 12. This is the potential impact on the Group management plan. The incorporation of SCOR as an equity method affiliate is expected to be in FY16 so that from there, we expect approximately JPY10 billion profit contribution.

In our business portfolio, overseas insurance business accounts for only about 10%. However, through these strategic investments, we shall tackle this business portfolio improvement and our direction to aim at making profit and the capital efficiency at comparable level to those of global players shall remain unchanged.

With that, I'd like to end my part of the explanation. Thank you very much for your kind attention.

Questions And Answers

Operator

Masao Muraki, Deutsche Securities.

Q - Masao Muraki {BIO 3318668 <GO>}

My first question; the acquisition of the shares this time, when did you start negotiating the transaction. And also what kind of consideration process did you go through before reaching an agreement? Can you disclose as much as you can on that point? Most likely Patinex's holding -- I believe they offered to sell their shares.

And who brought you the deal? Was it SCOR, your transaction partner, business partner, who brought you that potential deal or was it one of the brokers who brought you the deal?

A - Mr. Kurimisaka

My name is Kurimisaka. I'd like to answer your question. I'd like to explain the process that we went through.

As Tsuji-san explained, for risk diversification and also securing the stable stream of income, we had considered this area of reinsurance for over one year and along that process, as Muraki-san just mentioned, this deal was brought in and this deal was brought in, not from SCOR but from the broker.

Q - Masao Muraki {BIO 3318668 <GO>}

Thank you very much. And on that point, life reinsurance business, you will be entering into the life reinsurance business with this transaction. Is it simply that SCOR, who had life reinsurance who will be part of your Group. So now you're saying that to be the

participation into life reinsurance, or are you thinking of more proactively getting involved in the life reinsurance business?

A - Mr. Kurimisaka

To answer the question first, it will be the former. And so this life reinsurance market, we are investing in a company that has the business in the portfolio. So in an indirect way, we will be involved in the life reinsurance business.

Obviously, through such activity, we will get more exposed to the life reinsurance business and therefore in the future, eventually, there is a possibility that we will consider getting a direct involvement in the life reinsurance business. But for now it will be indirect exposure.

A - Shinji Tsuji {BIO 16148256 <GO>}

Mr. Muraki, this is Tsuji speaking. As our philosophy, the P&C reinsurance business is very volatile due to cat risk, etc.. And therefore life reinsurance compared to P&C reinsurance is rather stable. And we can expect a stable profit contribution coming from such business and, therefore, by applying equity method in a very broader way, I believe this can be called an M&A in a broad sense.

Q - Masao Muraki {BIO 3318668 <GO>}

Thank you. My second point is about the profit contribution.

A - Shinji Tsuji {BIO 16148256 <GO>}

So 15% of equity stake and profit contribution of roughly JPY10 billion.

Q - Masao Muraki {BIO 3318668 <GO>}

About the goodwill, what is the situation of goodwill? And also, if the share price, the tangible -- the share price exceeds the tangible net asset, however, when you make this an equity method company and if there is goodwill to be booked by turning this company into an equity method company, please let me know how much the goodwill portion is.

A - Mr. Kurimisaka

Let me answer that question. This is Kurimisaka speaking. About the goodwill, how much goodwill do we need to book, that is related to the details of the transaction. So I would -- I cannot answer such details. However, at this point in time, it is nothing to impact our earnings or earnings projections.

Q - Masao Muraki {BIO 3318668 <GO>}

So this JPY10 billion of profit contribution, on J-GAAP basis, is this the profit contribution expected to the net income on J-GAAP basis?

A - Mr. Kurimisaka

Yes, on financial accounting basis, the profit contribution is actually JPY10 billion. It's going to be a little less than JPY10 billion but it's not too far from JPY10 billion.

Q - Masao Muraki {BIO 3318668 <GO>}

Okay, I understand very well, thank you.

Operator

Otsuka-san, Nomura Securities.

Q - Wataru Otsuka {BIO 16340098 <GO>}

I have two questions. The first one is about -- I'm looking at page 11, about strategic positioning or strategic significance of the transaction. It might be overlapping with the previous question. But the largest weight is of course coming from the direct writings Sampo Japan Nipponkoa's business. It's (inaudible) everything the reinsurance part of the business and -- let's talk about the special life side of the reinsurance is where you are emphasizing this time. Let's take that.

For example, the Himawari Life Insurance of Japan, they are working on strengthening the life reinsurance business so that that part is going to be obtained. So by ceding to that, it's going to increase the underwriting capacity maybe or the premium coming from the life reinsurance business is probably going to make a contribution positively to the cost relating to the ceding to reinsurance.

So is it possible to think that those benefits will be arising from this transaction?

A - Shinji Tsuji {BIO 16148256 <GO>}

This is Tsuji. To answer your question, at this moment, we have life reinsurance business under Himawari for the domestic life reinsurance business. The company SCOR, through the synergy with them in the reinsurance business, some kind of economic effect or the financial impact is not something that we have factored in or we are forecasting.

With the life reinsurance -- we would say that the larger players are really dominant in this market so that with this format, we are now making an entry into such a market. Then, as we already mentioned, the life reinsurance is quite different from P&C reinsurance. It's quite stable in terms of the performance every year. So they will be able to capture those performance on each year's financial result. That is what we are expecting.

Q - Wataru Otsuka {BIO 16340098 <GO>}

When we look into the future, however, the cat risk -- we understand that the SCOR side is not really taking the cat risk or they have the lower level of the cat risk. So when we look at the ceding of this reinsurance, are there any possibility they're doing that from Japan.

A - Shinji Tsuji {BIO 16148256 <GO>}

Of course there's a possibility there is. But making our transaction or the business partnership like that, there is nothing in scope. But at least we see the JPY10 billion in profit -- in contribution.

Q - Wataru Otsuka {BIO 16340098 <GO>}

The second question is about page 7, ERM of SCOR. It's something that you can learn from. The low cat risks or the low risks here, the long-tail risks, I think the risk aversion is something that they are quite good at, at ERM. What's the other reasons, if you can make a strong scheme or ERM history being long, or anything that you can mention about the strong ERM other than those mentioned on this page?

A - Shinji Tsuji {BIO 16148256 <GO>}

Well the uniqueness is not something that we can mention outside the page but according to the SCOR, the S&P had given them the evaluation of very strong. That is the highest assessment or valuation from S&P.

Among the reinsurance companies, those companies which have received this assessment of the very strong is only limited to eight companies. And also for the direct underwriters there are only two companies. So the number of companies with very strong evaluation is quite limited, meaning that their ERM system is well established and well regarded.

Then the company SCOR is not looking at ERM from the perspective of risk management. They are also using that for the management decision of underwriting business. That's what we have highly regarded.

Q - Wataru Otsuka {BIO 16340098 <GO>}

Okay. Thank you very much.

Operator

Mr. Tsujino, JPMorgan Securities.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

First, SCOR is a high credit rated company but going forward, if you want to increase the reinsurance business, etc.. And if they wanted more capital and you are saying that you might acquire more shares in the market. But share issuance for third-party allocation or, etc., is it a possibility for you to acquire additional shares?

And in case they do that, would you consider that as an option. And is that better? Because share price would not go up as opposed to simply buying the existing outstanding shares in the market.

A - Mr. Kurimisaka

Right now, as for the additional acquisition of these shares, we are planning to do so in the market or we would be approaching one of the large shareholders and if anybody is willing to sell, we are thinking of taking over his or her holdings and we are really not thinking of such capital increase scenario as you mentioned.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

I know it's difficult for you to answer. Right now, if you acquire 15% of SCOR, then they are -- (in short), you must be ceding some reinsurance arrangement to SCOR. And will that still remain or would that be reduced? And because there will be a stronger relationship between you and SCOR, is there a possibility that SCOR's Japanese business will be reduced?

So in the Sampo's business, Asia Pacific is 18% and including emerging countries it's 7%. And then 7% is Japan, Australia and some other markets I believe. But what is the weighting of Japan in SCOR's business?

And also, for the reinsurance arrangement would you still be able to use SCOR?

A - Mr. Kurimisaka

On the first point about the reinsurance business, as we have always done, we will remain as one of their clients and we will continue the reinsurance arrangement relationship.

And about how much Japanese business they do, I don't have that information. We don't have such information to the detailed level.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

I see.

A - Shinji Tsuji {BIO 16148256 <GO>}

Thank you for the question, this is Tsuji speaking. The transaction this time, our investment to SCOR. First of all, we are acquiring 7.8% from Patinex and eventually we will be targeting to have 15% stake but this will still be a minority investment. Therefore, the reinsurance arrangement, etc., will continue as we had in the past.

And because of the percentage, other P&C insurers in Japan, in case they have any business relationship with SCOR and what they will do about that relationship, of course we are not in a position to answer that question. But since this is a minor investment, I am sure they will decide on that, considering the fact that this will only be a minor investment.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

And lastly, let me add one more question. Right now, looking at the net assets of SCOR, they have a lot of intangible net asset. It's about half of their net asset value and a large part of it is VOBA, value of business acquired. And that part -- and that is the goodwill.

This will be an investment, the goodwill related to the equity method investment, if the share price goes up. But right now it's 1 multiples. But in case the share price escalates and you buy additional shares, the current net asset before it becomes tangible. And is it only that part that will create goodwill? I would like more clarification on that part of what will become the goodwill.

A - Yukinori Kuroda {BIO 19776286 <GO>}

This is Kuroda speaking from IR, let me answer the question.

As you said, the goodwill, just roughly speaking, PBR is a little -- as a portion that was above 1 multiples is goodwill, however, in a broader sense the companies which the SCOR acquired in the past and if those companies created goodwill, then those goodwill has to be realized. So overall it will include also those goodwills.

However, purely to our investment it's only the portion that's above 1 multiple. So according to the market cap as of today, I don't think it will be that much.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

So anything that's above 1 is going to be the depreciation of the goodwill that you will need to book, as your investment, right?

A - Yukinori Kuroda {BIO 19776286 <GO>}

Yes.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

Thank you very much.

Operator

Shiota-san, Daiwa Securities.

Q - Jun Shiota {BIO 4127431 <GO>}

I have two questions. First one is about the shareholder returns. You said that there is not much impact. Having said that, from now on, you'd be looking at about JPY110 billion of the amount that you will have out so that -- I'd like to just confirm what kind of return of the shareholders you're thinking of?

Now you're thinking about the comprehensive return of about 50% on the long term. And now you are working on the capital injection or the investment. Is it going to have an impact on that number, including some impact we had on the mid-term business plan?

A - Shinji Tsuji {BIO 16148256 <GO>}

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This is Tsuji speaking. Thank you, Shiota-san. For the shareholder return as you said, the payout is 50% on the mid-term basis. Now the annual payment is JPY60 per share and we have bought back JPY10 billion (size) last year.

And equity for this SCOR is -- for the profit of 2014 does not have any impact. So that will have an impact on the year 2015 and onwards. However, they are going to come under the equity method after FY16. So the current plan is for 2015 as a final end -- final year. And the new plan would kick off in FY16.

As for the return to shareholders, the current level is at least a stable payout and we'd like to at least maintain that level.

Q - Jun Shiota {BIO 4127431 <GO>}

And the stake ownership of this SCOR?

A - Shinji Tsuji {BIO 16148256 <GO>}

Of course it would be -- the subject of discussion when it comes to what the percentage that is going to be, however, there is going to be a push up when it comes to the -- we will calculate the payout ratio so that that will be the policy that we will carry on for the shareholders' return.

Q - Jun Shiota {BIO 4127431 <GO>}

Thank you very much.

A - Unidentified Speaker

The second question is the equity position of this SCOR because this time, Sampo Japan Nipponkoa is going to buy so it's not a holding site which is going to buy this equity. Why is a subsidiary going to take this transaction not holding?

And from the perspective of the subsidiary, the exposure to equity is going to increase JPY100 billion. But you had a plan of reducing the size of the exposure for the business related equity holding. But now you're again increasing the exposure for the -- increase of the risk of the exposure to the equities. In the meantime, you are thinking about accelerating probably disposing the business related share holdings for next year and so on.

A - Shinji Tsuji {BIO 16148256 <GO>}

This is Tsuji again. Thank you for your question. The holdings is basically a holding company. So generally speaking, business related equity holdings is owned by the Sampo Japan Nipponkoa which is a subsidiary. This is under the business asset of those business operators. So the financial soundness can be maintained.

For the business related equity holding, in 2010, Sampo Japan and Nipponkoa merged. So in 2015, we are celebrating the sixth year. In six years we are compressing the business

equity related holdings by JPY800 billion size; that is the plan. So with the acquisition or transaction like the one that we are going through, the risk asset naturally increases.

So the compression of the business related equity holdings is going to be, to some extent, discussing the disposal of it in the mid-term plan which is going to be kicking off starting from the year 2016. Whether we are going to be reducing and disposing at the pace that we are discussing, or is it going to be newly (fenced) at the level or not will be subject to further discussions that we are going to have for next year.

Q - Jun Shiota {BIO 4127431 <GO>}

A follow-up question is about the business related equity holdings weight. Now you basically have those business related equity holdings of the Japanese companies and now you are making strategic investments of SCOR and so on. So when you think about the risk weight, do you think the risk weight is basically the same according to your risk management structure?

A - Shinji Tsuji {BIO 16148256 <GO>}

Equity is equity. So our risk management division is looking at the risk and the capital. And they are monitoring and controlling the equity risk so that will be counted in under the equity risk. So that's the same.

Q - Jun Shiota {BIO 4127431 <GO>}

Okay. Thank you very much.

Operator

Mr. Noda, Goldman Sachs.

Q - Taichi Noda {BIO 16478436 <GO>}

My first point; about the overseas business strategy, I would like to reconfirm. And also about your mid-term plan for the overseas profit, you're in the areas of your strength and also other areas where you are making limited investment is your investment policy. And that's a little bit different from the other two major groups. So I would like to know, in this context how should I position this transaction?

And also, do you plan to remain the same policy about the overseas investment?

And also the overseas profit contribution for over the medium term is expected to be JPY14 billion to JPY20 billion. And I think you are going to be over-achieving that profit target. Based on this transaction, for a longer term what would be the magnitude of the profit that we can expect from the overseas insurance business?

A - Unidentified Speaker

In our overseas insurance business, this is nothing that is outside of our conventional overseas business strategy because, in the advanced markets, including commercial arena, we have always targeted Europe and US as the target of investment.

And in the reinsurance arena, we had always looked into the opportunity to enter into the market. And we ended up being blessed with this transaction. And as you mentioned, in 2015, the target figure for the overseas profit for 2015 we are making a steady progress. But with this transaction in place, of course, there's going to be some upside.

However, in terms of the contribution to consolidation, we're only expecting the equity methods to be applied from 2016 and, therefore, there will be limited contribution to FY15.

Q - Taichi Noda {BIO 16478436 <GO>}

Thank you. And second point, 15% stake; so I believe this is based on your intent to make it an equity method. But what is the reason that it's not going to exceed 15%, or is there a reason to make it double 15%?

A - Unidentified Speaker

This time, we are targeting to achieve the 15% stake to make it an equity method company and we plan not to acquire anything over and above the level of 15%.

Operator

Futoshi Sasaki, BofA Merrill Lynch.

Q - Futoshi Sasaki {BIO 17564798 <GO>}

I have two questions. One is about domestic less reinsurance market sides. Do you have any idea of how big or how small that is? For any kind of issuance for the business corporations, I know that there is some life reinsurance business for the management. But for the domestic life insurance business, if you have any idea of the scale or the size of it?

And also on page 9, on right side at the corner down below, you are talking about the historical technical margin. I'd like to know how to read it. For the life issuance business, the technical margin, the margin itself is not that high is it? So the new margin and the technical margin, is the definition different? Please tell me that difference.

A - Yukinori Kuroda {BIO 19776286 <GO>}

Well this is Kuroda of IR. For the first question, very unfortunately the statistic data of hedge market and the transaction written off have that in our hands so that we cannot provide in details, I'm sorry.

Q - Futoshi Sasaki {BIO 17564798 <GO>}

Okay. Thank you very much for the first question.

A - Yukinori Kuroda {BIO 19776286 <GO>}

And your second question about technical margin related, again I'm sorry we do not have the information to answer you now.

Q - Futoshi Sasaki {BIO 17564798 <GO>}

Okay, I'd like to refer to you later again then. Thank you.

Operator

Mr. Yabumoto, Mizuho Securities.

Q - Yusuke Yabumoto {BIO 16424475 <GO>}

I have two questions. The first question is about the transaction, your acquisition of shares from Patinex. What is the date of the ownership transfer? If you have a rough date set for the transfer of the ownership please let me know. And from other large shareholders, are you discussing or considering the possibility of buying more shares from the existing shareholders?

My second question is about the P&C reinsurance business at SCOR where the profit is twice as large. And what is your understanding of the current condition of the P&C reinsurance market?

A - Unidentified Speaker

To your first question, it requires some approval from the regulatory authorities. And so the exact timing that we can acquire the shares, we are thinking roughly the middle of April for now.

And to your second question about the market environment of the P&C reinsurance market, as you can assume we're centering about cat risk. We are seeing a softening of the reinsurance market and the market continues to soften and, therefore, we expect to see very tough conditions for the reinsurance market going forward.

However, as for SCOR, their percentage of the cat risk of business is relatively low and, therefore, even when the rate environment is very tough, they will still be able to maintain profitability and maintain premium. That is our assumption so on that basis, compared to other players, I believe the impact on them will be minimal.

Q - Yusuke Yabumoto {BIO 16424475 <GO>}

Regarding the first point, I'd like to ask for additional information. To decide on the price, is it going to coincide with the date of the acquisition and also, I would like to know if you are already discussing with other existing large shareholders for additional acquisitions?

A - Unidentified Speaker

Regarding the price, price has already been determined and agreed. So it will not differ, depending on the timing of the transfer.

On the second point, this is about specific potential deals. So we would not like to disclose any details on other potential transactions. Thank you very much.

Operator

Koichi Niwa, SMBC Nikko.

Q - Koichi Niwa {BIO 5032649 <GO>}

Yes. Two questions please. One is about the authorities, the approval that you need to get. What kind of thing that you need to get as an approval from authority?

And the second is, now you are using the equity method, now you are just giving one year as a time period. Well of course, there is a shareholders' meeting. But just setting that aside, do you think one year is needed?

A - Unidentified Speaker

Okay, first of all, about the approval from the authorities. When the acquisition of the equities are for a certain level, then we need to get the approvals, or obtain an approval from the authorities related to this to insurance business. But this time, according to this transaction, the threshold was not exceeded. However, there was some (credence) coming from the (inaudible) law.

Anything other than that, if you think about more than 15% of the ownership, if that will be the case, then we need to file an application. There are some countries like that, like France and the UK. So if that will be the case, then we need to file an application for the approval.

Based on that, as you mentioned, this transaction would require a certain time period. That's our expectation.

Q - Koichi Niwa {BIO 5032649 <GO>}

Well the follow-up question then; well you are thinking about JPY110 billion as an assumption. If the amount is going to be far beyond or far below that, then is there any possibility that you're going to be just breaking that point? I just wanted to know about your policy or your thoughts on the price.

A - Unidentified Speaker

Well now the 15% acquisition will depend on the market environment of course. But unless there is a big change in the environment, the big change meaning that in the environment where we find it hard to achieve the target, then that's just a goal to achieve that target. However, in the event that that kind of thing would happen, then of course the management team would need to discuss further to make a decision.

Q - Koichi Niwa {BIO 5032649 <GO>}

Okay. Thank you very much.

Operator

Mr. Noda, Goldman Sachs.

Q - Taichi Noda {BIO 16478436 <GO>}

Let me just confirm one point. This company, they have dividend yield of 6% and their dividend income is significant as you can expect. But from the tax point of view, because the deduction -- the taxable income from the dividend income will change. So whether it's an equity method or not, does it make any major difference from the taxation point of view in terms of your dividend income?

A - Unidentified Speaker

Regarding the dividend income, prior to becoming an equity method. And after becoming an equity method, the two situations will differ. And our understanding is that there is a tax agreement in between Japan and France. So when we acquire 15% of the voting right, then 5% of the total dividend income we receive becomes taxable.

So on this basis, we believe that after it becomes an equity method company, this will be the level of the tax that will be imposed on the dividend income.

Q - Taichi Noda {BIO 16478436 <GO>}

5%. So I guess that means to the dividend income that you receive, based on the JPY110 billion of shares that you acquire, 5% of the income will be the taxable income?

A - Unidentified Speaker

Yes.

Q - Taichi Noda {BIO 16478436 <GO>}

It's 5% of your dividend income multiplied by the tax rate that will become the tax payment for the dividend income; correct?

A - Unidentified Speaker

Yes that is correct.

Operator

So that's the end of Q&A session. And now we end the conference call of today. Thank you very much for participating everybody. Thank you.

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