FINAL

Bloomberg Transcript

Y 2018 Earnings Call

Company Participants

- Ichiro Sato, Group Leader, Corporate Accounting Department
- Taizou Ishiguro, Investor Relations
- Tokuda Hajime, Executive Officer and General Manager
- Unidentified Speaker
- Yasunobu Fukuda, Managing Executive Officer

Other Participants

- Futoshi Sasaki, Analyst
- Kazuki Watanabe, Analyst
- Masao Muraki, Analyst
- Tatsuo Majima, Analyst
- Wakako Sato, Analyst
- Wataru Otsuka, Analyst

Presentation

Operator

Ladies and gentlemen, thank you very much for waiting. First of all, I would like to thank you for participating in Tokio Marine Holdings Fiscal 2017 Telephone Conference Call. We would like to remind you that except for the speakers' lines all lines will be muted during the presentation.

We would like to also remind you that this call will be taped. We would like to also mention a disclaimer statement. The presentation that are going to be made today may include forward-looking projections based of current assumptions and therefore is subject to a range of inherent risks and uncertainties. Please acknowledge that the actual results may vary materially from the projections.

Now we would like to start the presentation. Mr. Ishiguro, over to you.

Taizou Ishiguro {BIO 20620398 <GO>}

My name is Ishiguro from the IR Group of Tokio Marine Holdings. I will explain the fiscal year 2017 results and fiscal year 2018 projections of Tokio Marine Holdings, which was announced today.

I would like to ask you to access our website and then from the home page under topics access the page to find the PowerPoint material, which I will be using today in this conference call. Presentation will be about 25 minutes, and after that we will take questions.

Please turn to page three for the highlight of fiscal year 2017 consolidated results. For top line, we saw steady growth as net premiums written increased by 2.4% year-on-year and life insurance premiums increased by 5.4% year-on-year. For bottom line or net income attributable to owners of the parent, we saw increase in net incurred losses due to natural catastrophes in both domestic and international markets and there was also one-time impact of US tax reform.

Net income increased by 3.8% year-on-year to JPY284.1 billion, an increase by JPY10.3 billion. The results summary of each business is as shown on the slide and its details will be explained from next page and after. First, we will look at domestic non-life business.

Please turn to page six. In net premiums written for private lines of business, auto and other lines of insurance grew their top line, which led to 1.6% growth year-on-year or up by JPY29.5 billion. Please refer to page eight for a line by line situation.

Net incurred losses relating to natural catastrophes is increased and there was an impact of large losses. Net incurred losses increased by JPY91.1 billion year-on-year. Business expenses for private lines of insurance increased by JPY6.4 billion due to increase in agency commissions associated with revenue growth and others.

As for catastrophe loss reserves mainly due to the written and paid loss ratio going up in auto and fire which led to increase in reversal of the reserve provisioning amount decrease by JPY11.8 billion versus last year. As a result underwriting profit for the year decreased by JPY29.4 year-on-year to JPY86.6 billion. As for net income investment income and others, net investment income increased by JPY40.5 billion to JPY237.9 billion due to increase in dividend income from overseas subsidiaries.

Most of the dividend income from subsidiaries are eliminated on unconsolidated basis, therefore, there is no impact by this to Group's consolidated earnings. As for extraordinary gains and losses due to reaction from gains from fixed assets in fiscal 2016 and losses on valuation of affiliated company equities extraordinary gains reduced by JPY14.5 billion to negative JPY12.4 billion.

Valuation of affiliated company equities is eliminated on consolidated basis. Therefore, there is no impact by this to Group's consolidated earnings. Due to those about mentioned reasons net income increased by JPY5.2 billion to JPY253.8 billion. Next I will explain about combined ratio.

Please turn to page seven. In fiscal 2017, the private insurance E to I loss ratio increased by 3.7% to 61.4% due to increase in natural catastrophe related incurred losses as well as impact of large losses. As for expense ratio, it improved by 0.2 points year-on-year to

32.5% mainly due to increase in net premiums written. As a result private insurance wise E to I combined ratio went up by 3.5 points to 93.9%.

Now, I will explain about asset management results. Please turn to page nine. The overview of the asset management results are as I have explained previously. But on this page, I would like to add a few words about sales of business related equities. The total sales of business related equities in fiscal 2017 was JPY108 billion and gains from sales of business related equities was JPY83 billion. Next I will explain about Nisshin Fire.

Please turn to page 10. Nisshin Fire saw increase in net premiums written of fire and new products due to sales expansion to SMEs. However, mainly due to increase in net incurred losses related to natural catastrophes, its underwriting profit decreased by JPY2.8 billion year-on-year to JPY5.3 billion. As for net investment income and other, there was increase by JPY1.4 billion year-on-year to JPY2.6 billion due to increase in gain on sales and redemption of securities. As a result, net income declined by JPY1.2 billion year-on-year to be JPY5.3 billion.

Next, I will explain about Tokio Marine and Nichido Life Insurance Company, please turn to page 11. As for new polices ANP, while we suspended the sales of long-term savings by products and there was an impact of product revisions reflecting the standard interest rate revisions. New policy ANP declined by 15.5% year-on-year to be JPY102.1 billion. On the other hand for In-force Policies ANP, we saw 2.6% growth year-on-year to JPY852.7 billion due to increase in new policy.

As for key figures in financial accounting. net income grew by JPY6.7 billion year-on-year to JPY15.5 billion due to reduction in provisions for contingency reserves coming from suspended sales of long-term savings-type products and impact of product revision reflecting the standard interest rate revisions. Core operating profit increased by JPY8.1 billion year-on-year to JPY30.5 billion.

As for business unit profit measured by increase in MCEV due to changes in definitions of the measurement methods of MCEV and changes of economic environment. There was a reduction by JPY274.5 billion to be JPY99 billion. However, value of new business increased by JPY27.1 billion to JPY64.6 billion.

Now, I will explain about international insurance business. Please turn to page 12. Net premiums written of the international insurance business grew by 5% year-on-year. On a local currency basis, excluding the impact of yen appreciation it grew by 7% due to business expansion at each business.

In each region starting from North America with three major group companies, they grew their business by rate increases in renewable book of specialty insurance as well as by business expansion. North America grew its top line by 1% year-on-year or by 5% on local currency basis. Europe also grew their top line by business expansion of TMK.

Emerging markets grew due to the expansion of auto insurance business in Brazil, increase of shareholding in India as wells as by executing other growth measures in each market. Reinsurance business fell due to reaction from increase multi-year policy in fiscal 2016.

Next I would like to look at the business unit profit in international insurance business. Please turn to page 13. Business unit profit fell by 15% year-over-year or a decline by JPY25.3 billion due to large natural catastrophe related losses such as North American hurricane and worsening of foreign exchange losses despite some positive factors such as one-time effect of US tax reform and execution of growth measures in each business segment.

The amount of the impact of US tax reform overall is JPY28.2 billion and it is reflected in the result of each region. Going into each region. First in North America. There were some negative factors for profit such as natural catastrophe losses at Philadelphia and TMHCC. There were some positive factors for Delphi such as one-time gain from tax reform, lower capital losses compared to last year, and increase in investment income. Therefore for North America overall, business unit profit increased by JPY19.5 billion.

In Europe and reinsurance business, there was a significant fall in business unit profit due to large natural catastrophe losses and worsening of FX losses. Asia, saw increase in business unit profit due to increase in shareholding and reversal of reserve. For the details of the results of major three subsidiaries in North America and segment by segment information they are shown from pages 14 to 16. Please refer to those pages for details.

Next, I will explain about projections for fiscal 2018. Please turn to page 18. Regarding top line due to the stronger yen, a slight decline is expected. However, net premiums written and life insurance premiums are both projected to grow when FX effects are excluded. The bottom line or net income attributable to owners of the parent is projected to grow by JPY35.8 billion year-on-year, reaching JPY320 billion due to a lower estimate of natural catastrophes in domestic and overseas and an increase in underwriting profit at TMNF despite the reversal effect of a one-time impact of US tax reform in fiscal 2017.

Next, please turn to page 21, which I will give an explanation about the domestic non-life business. With regards to net premiums written for private lines of business, it's projected to grow by JPY84 billion, mainly due to premium growth in auto, fire and others category. Net incurred losses are projected to decrease by JPY44.4 billion, as we are assuming an average level of net incurred losses relating to natural catastrophes and because of the reversal effect from an increase in large losses from fiscal 2017.

Catastrophe loss reserve provisioning is expected to decrease by JPY30.2 billion year-on-year as an increase in takedown is expected associated with an increase in the written to paid ratio in auto. With all of these factors accounted for, underwriting profit is expected to grow by JPY84.3 billion year-on-year to 171 billion. Net investment income is projected to decrease JPY81.3 billion to 156.6 billion mainly due to a decrease in dividends from overseas subsidiaries. In addition to the above mentioned factors, as a result of adjustment of income taxes, et cetera net income is projected to decrease by JPY11.8 billion to 242 billion.

Next, please turn to page 24, on which I will talk about Nisshin Fire. Net income for Nisshin Fire is projected to grow by JPY0.2 billion year-on-year to 5.6 billion due to top line growth, due to sales expansion in fire and specialty insurances and assuming an average level of net cat losses.

Please turn to the next page for details about TMNL. New policies ANP is projected to grow by 2.1% year-on-year to JPY104.2 billion due to the sales promotional of protection-type products.

In-force Policies ANP is projected to grow by 3.1% year-on-year to JPY878.9 due to steady new policy growth. Next looking at key figures and financial accounting, net income is projected to grow by JPY5.4 billion year-on-year to 21 billion due to a decrease in provision for contingency reserves, et cetera, although core operating profit is projected to decrease by JPY1.5 billion year-on-year to 29 billion due to an increase in net provision for underwriting reserves, et cetera, and waive [ph] of the standard life table revision.

Business unit profits or increase in MCEV is projected to fall by JPY64 billion year-on-year to 35 billion due to items such as the increase in system expenses.

Please turn to page 26 for the international insurance business. Net premiums written for the international business despite projections for 4% growth on a local currency basis due to the execution of growth measures in each business segment on a yen denominated basis, net premiums written are projected to fall by JPY28 billion to 1.713 trillion.

Now, please turn to page 27, where I will explain the international business unit profits. There are four main items that had an impact on business unit profits, both positive and negative.

The first is foreign exchange rate assumptions. FX rates as of end of March 2018 were applied to the fiscal 2018 guidance. Hence, the yen is stronger by JPY6.8 compared to rates in December, that was used for fiscal 2017 results. The difference is approximately a negative JPY10 billion impact on earnings.

The next factor is the impact from the US tax reform. The tax reduction effect is projected to be a positive JPY16 billion on the fiscal 2018 guidance, but due to the one-off gains recorded in fiscal '17, which outlays this effect. This factor will have a negative JPY10 billion impact.

The third factor is natural catastrophe losses, which will have a positive impact on earnings by JPY24 billion as it is projected to be about JPY50 billion pre-tax and about JPY40 billion after-tax. The last factor is foreign exchange gains and losses between foreign currencies. Due to the reversal effect from the foreign exchange losses in fiscal 2017, this factor is projected to boost earnings by about JPY5 billion. With the execution of growth measures in each business on top of the aforementioned factors, a JPY20.8 billion year-on-year increase in business unit profits are projected for fiscal 2018.

Lastly, I would like to touch upon ESR, which is on page 29. In calculating ESR risk valuation, we have applied 99.5% value at risk at AA credit ratings as always. But the model has been modified to one that doesn't exclude restricted capital from net asset value in order to ensure ease of comparability. ESR under the new model as of March 2018 is 201%. Net asset value increased due to the contribution of adjusted net income in the second half of fiscal 2017. However, risk has also increased due to higher credit risk and a decrease in tax effects related to US tax reform.

ESR target ranges and sensitivities are show on the next page. This page shows how we view capital policies and relationship to ESR levels. Our target range under the new model will be between 150% to 210%.

This is in response to higher interest rate sensitivity compared to before as restricted capital is not excluded in the new model. We also referred to the slide for share price interest rate and FX sensitivities under the new model. The recent JPY50 billion share buyback program decision was made in a comprehensive manner, looking at ESR level, the market environment and business investment opportunities.

Finally, please turn to the next page, where I will explain risk amount or risk capital for the first time. Here, risk capital trends are shown comparing end of March 2013 to March 2015. As we've made efforts to enhance business diversification and sell down business related equities over the years you can tell that risk diversification over the mid-term business plan period has enhanced.

This concludes my presentation. Now, we would like to take any questions that you may have.

Questions And Answers

Operator

Thank you very much for the presentation. Now, we would like to start our Q&A.

A - Taizou Ishiguro {BIO 20620398 <GO>}

The operator is explaining how to ask a question for the Japanese audience. Please wait on the line until the explanation finishes.

Operator

The first question will be from Deutsche Securities. Mr. Muraki, please ask your question.

Q - Masao Muraki {BIO 3318668 <GO>}

My first question has to do with the international business. The second question has to do with your capital strategy. On the first question of our international business. About the top line I have a question. In North American business, if you adjust the FX factor then

2017 was 5% increase in top line. The original expectation was 3% increase in top line, but you actually finished a year by 5% increase. Why did that happen? What made the difference? And also on page 26, you are showing the new business plan for the next fiscal year. In North America it's 4% increase, in reinsurance it's 5% increase, which we are expecting for 2018. The premium rate, how much of an impact of the hardening of the rate have you factored into this annual plan for 2018. The second question is the capital strategy.

On page 30, you are showing the new target range. And looking at this target range, anything that exceeds the target range, there is a note there which did not exist in previous materials. And so unless you hit the 210%, it says that you will consider -- a strategic considerations, but you show that you will do this is a flexible manner when it's below 210 whereas if you hit above 210 does it mean that you will not have flexibility, but you will be doing the risk of taking as well as the shareholder return risk because the word flexible is not in the note above 210%?

A - Unidentified Speaker

The first question from the holdings. My name is Kazunori [ph] from IBDD. I would like to answer your question. And so the increase in top line in North America exceeding the expectation naturally. There was a -- the renewal of the contracts in Delphi in the P&C business in the special increase in premium from the specialty lines such as workers' comp. And HCC due to the bolt-on acquisition in the medical stop loss business was sold.

And also rate increase took place, so due to those positive factors we saw increase in top line more so than we expected. And as for the hardening of the rate we are expecting. In 2017, in the latter half, HAM [ph] hurricane HAM as well as the forest fire in California occurred. And the due to the frequent occurrence of natural catastrophe and the renewal date of January 1st in 2018 including the account risk mainly for properties, we are expecting some hardening of the rate to occur as a impact to our business in the actual risk-hit businesses as well as the non-loss hit businesses.

It is very difficult to grasp the situation in a quantitative manner. But in the renewal business, it is in the first half of the single-digit and for other policies we believe it is in the mid-digit, single to mid digit. For your first answer, in the reinsurance business, so you are expecting 5% increase in top line, which means most of this increase will come from rate increase. And on risk basis the underwriting expansion due to, on risk basis, is not happening, and so the rate improved, but you are not really expanding the underwriting. Your understanding is correct. In the reinsurance business for 2018 there was an increase form the multi-year policies, which got renewed, and that is part of the explanation for the increase in the top line we are expecting.

Q - Masao Muraki {BIO 3318668 <GO>}

Thank you very much.

A - Unidentified Speaker

From Tokio Marine Holding. My name is Gojo [ph] from Corporate Planning. About the ideas we have for the new target range of ESR. As you have mentioned up until now, the target range for ESR, the upper threshold when exceeds the upper range, the actions to take were not clearly noted in any of our materials. However, due to this new methodology, we are saying that, we are putting the 210% to be the upper range of the target range. And we are specifically saying that we will be implementing business investment, additional risk taking, and shareholder return in case we exceed that percentage point.

And as written here, when it exceeds 210%, we will be using this excess capital effectively, and we will be taking some action when the number exceed this level. So, as written here, as for the use of the capital buffer, there are several ways to use the capital buffer. One way, first of all, is business investment or additional risk taking. And so those are the investment that we will do you for further expansion on the business, and after that, we will do shareholder return as use of capital buffer, and therefore for business investment, we will continue to be disciplined and we will be very proactive in using this capital buffer.

However, the philosophy of this hasn't changed since before, and so if there is no investment opportunity then we will be re-allocating this capital buffer to shareholder return.

Q - Masao Muraki {BIO 3318668 <GO>}

Thank you very much.

Operator

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

Q - Kazuki Watanabe {BIO 15948747 <GO>}

Thank you for taking my question. My name is Watanabe. I have two questions. For fiscal 2018, I have a question around your dividend program. JPY180 per share was the plan that you have set forth. Can you give me the basis of calculation, adjusted net income average times five, if you multiply that, I think, it should be JPY175, but due to the fact around that upto JPY180 or did your dividend policy itself change in some sort of way. My second question is, adjusted net income, why exceeded your plan in fiscal 2017. It went up by 26 above, 26 billion above your plan, but what was the breakdown and what was the impact of the US tax reform?

A - Unidentified Speaker

I'm Gojo from Corporate Planning of Tokio Marine Holdings. Let me first answer your question around our outlook on dividends for fiscal '18. Adjusted net income is projected at 396 billion, so on a average basis, it is expected to -- 3 billion higher to 360 billion compared to 2017. So compared to 2017 dividends are expected to go up by JPY20 to JPY180 a share. And the total amount of dividend is going to be 130.5 billion and the payout ratio was 36%.

And with regards to dividends for fiscal 2018 and our thinking behind it. Next week actually, our management are going to be participating in a IR meeting and they will be talking about our medium term plan next week. So, in the next mid-term plan, they will be talking about our updated policy around shareholder return. So, I hope, you can listen in on that meeting next week.

A - Taizou Ishiguro {BIO 20620398 <GO>}

With regards to your second question about adjusted net income and our results compared to beginning of your expectation and excluding our US tax reform impact, how that would look like. Hatayama [ph] from Corporate Accounting Department of Tokio Marine Holdings will answer your question.

A - Unidentified Speaker

With regards to impact from US tax reform, the total amount is not actually deducted. Deduction items of adjusted net income, which is intangible assets, fixed assets, related DTL reversal. That impact has been excluded. So, apart from that, against plan, we have a positive impact on earnings. That's it from myself.

Q - Kazuki Watanabe {BIO 15948747 <GO>}

Understood. Thank you very much.

Operator

Next question will be from Mr. Otsuka of Nomura Securities. Please ask your question.

Q - Wataru Otsuka {BIO 16340098 <GO>}

My name is Otsuka. Thank you for this opportunity. I have two questions. My first question has to do with just a simple confirmation. On page 30, you said that together with the share buyback opportunity this JPY50 billion that you have announced. Is this part of the shareholder return as a part of the March 2018. And so does it mean that upto the mid-term, you have already announced 125 billion. And so for 2018, I guess, it does become 175 now, if you have 50. And also for page 30, it says additional business investment, additional risk taking and also shareholder return. What is the meaning? And so business investment is inorganic growth, which is M&A, I believe, and additional risk taking. This means you will be taking more underwriting risk or maybe an asset management risk, and so this is what is included in those titles. And also the second question is, if you go to page 23, for March 2019. E to I loss ratio is expected to worsen because on the right, it talks about the rate revision as well as the changes to the riders et cetera. But it's 2%, and so if it's going to worsen by JPY20 billion, I believe, that it's going to be a major impact, but can you explain more about why this is expected to worsen?

A - Unidentified Speaker

My name is Gojo from Corporate Planning Department. First, I wanted to answer your question about the share repurchase amount. So, the answer will vary depending on what timing you base your calculation on, but the JPY50 billion that we have announced this time. We have announced that as part of the adjusted annual forecast for 2017. And so adding that to the 100 billion that becomes 150 billion. And that is going to be against the profit of 2017. So it's 150 billion versus the profit of 2017. Are you going to calculate this based on the timing of the acquisition et cetera. There are various ways to look at it, but if you look at it against the profit it's going to become a total of JPY150 billion against the annual profit of 2017. The other question about the target range of ESR, the business investment, additional risk taking. What are the meanings of those? Basically your understanding is correct. So, for business investment, this is going to be M&A et cetera. So, new strategic options is what we mean by business investment. Additional risk taking, what we mean is, as we mentioned, additional asset management risk taking, additional insurance underwriting, risk taking, et cetera. And so whatever give us better profitability, we will be taking those risks. That concludes my answer.

A - Tokuda Hajime

On your second question from Tokio Marine & Nichido Fire. I would like to answer your question. My name is Tokuda from the Personal Lines Underwriting Department. For 2018, the E to I loss ratio is going to worsen by two percentage points. And the reason for that as written here is because of the rate reduction in 2018, and also relating to the riders increasing riders. And the impact will come through gradually. And that is the reason for the impact and as for the riders for the auto, this is going to worsen. So, those are the two major reasons why the loss ratio is going to worsen, but there are other factors included, and comprehensively we have come to announce those numbers, but those two are the major reasons. To the first and second question, I have points to confirm, if I may. So, the rate revision alone, how much of a contribution will that have to the worsening of the loss ratio. And, to the first question, as Gojo mentioned, it's just a matter of how you take the timing, but the business planning you announced as of the mid-term, you acquired 25 billion in first half and then the latter half was 100 billion. And so fiscal 2017 was disclosed as JPY125 billion of share repurchase. However, you are simply not adding JPY50 billion, but are you saying that for the full year fiscal '17, the total is going to be 150 billion totally.

A - Unidentified Speaker

My name is Gojo again from Corporate Planning. As for the share buyback amount as of the mid-term, we have announced the acquisition based amount. That is what we had announced before. And, this time, what they have said is just the announced number. In any case, our philosophy towards share buyback is that it is done in order to adjust the capital level. And so where you take the timing or where you take the end of the term depends on the person, but we would like to disclose this in a more easy to understand manner. That clarifies my first question. On the second question, for January 2018, about the rate revision, for 2018 60% is going to surface within fiscal 2018. And looking at the claim cost, it is flattish recently, and that's what we expect. However, the unit repair cost is going to rise, and therefore the profitability must be monitored closely.

Q - Wataru Otsuka {BIO 16340098 <GO>}

Okay. Thank you very much.

Operator

Mr. Sato from Mizuho Securities is next.

Q - Wakako Sato {BIO 15107494 <GO>}

Hello. This is Sato. Thank you very much for taking my question. Both of my questions are related to capital policies. My first question is, you announced a share buyback plan this time around, and on accounting basis the price to book against net assets is higher than one-time. Going forward, during the buyback program, if your share prices were to rise, with regards to the capital adjustment buffer. Are you going to shift from share buybacks to increasing dividends instead? Please let me confirm that first. My second question is regarding ESR. So, my question is, why did you decide to not -- exclude restricted capital, you're talking about better comparability with others, but if that was the only purpose, all you have to do is have a footnote, reference material. So, has something changed in essence with regards to the way you look at capital policies or capital? With regards to adjusted net asset as well as adjusted ROE, I don't think your perspective has changed. So, when you think about improving capital efficiency or the need for improving capital efficiency going forward or your view on it, although you changed the model, is your perspective remaining the same? That's all from myself.

A - Unidentified Speaker

I'm Gojo from Tokio Marine Holdings, Corporate Planning Department. Let me take your first question first. With regards to the 50 billion buyback program and what if our stock prices go up? Are we going to shift to special dividends instead of share buybacks. So, I think, that's the way I comprehended your question. With regards to our capital policy, transparency or a policy that's easy to understand is something we've got importance on. Therefore, we have decided on the 50 billion share buyback, and we would like to ensure that 50 billion is used for our share repurchase program. Of course that's based on assumption that the market conditions are normal. If there is something extraordinary that happens, obviously, there may be a chance that we have to change our policy, but unless that happens, we will basically do share buybacks.

With regards to your second question about not including restricted capital from net asset value for ease of comparability. We have basically disclosed the ESR with restricted capital included and net asset value and your question was, are there any changes in our capital policy. First of all, with regards to restricted capital, we added into net asset value because like Mr. Ishiguro mentioned in his remarks. We wanted to offer ease of comparability, and we also wanted our investors to understand where we stand easily, and we did receive requests from shareholders as well.

And that is why we decided to show it this way instead. In accordance to this, our view on capital policy and whether it has changed drastically. Well, our capital policy plan under the new mid-term plan, the details will be provided next week at the IR meeting. Our management will directly give remarks on that point. However, with regards to the modified ESR model, our capital policy is not really going to change drastically. We are not thinking in that direction.

Q - Wakako Sato {BIO 15107494 <GO>}

Thank you. Well understood.

Operator

The next question is going to be from Tokai Tokyo Research Center from Mr. Majima.

Q - Tatsuo Majima {BIO 15338044 <GO>}

My name is Majima. Thank you for the opportunity. So, on page 25. It talks about your life insurance business on the bottom. You have the line for increase in MCEV for March 2018 or actually for fiscal 2018 it's 35 billion, an increase for year-on-year change is minus 64. So, the breakdown is written on the side. So, IT-related cost will increase, but this is so abrupt, and when you increase the IT-related cost so much abruptly in the medium-term management plan, did you include this or is it something that just came out of the blue suddenly. So, second question is on page 20, consolidated projections, and for asset management income, negative 82.3 and part of that is going to be decreased in dividend payments. But even excluding that, it is going to decrease by JPY40 billion or so. And so what are the reasons for the increase in the net investment income? And also how much of the sale from -- gain from sales of securities do you expect for fiscal 2018?

A - Unidentified Speaker

My name is Yamada [ph] from the Tokio Marine & Nichido Life Insurance Company and Financial Accounting. Looking at this projections for the life insurance business in 2018. For 2017, the result for the increase in MCEV is 99 whereas the projection is JPY35 billion. This means the change of negative JPY64 billion. And as for this number, the value of new business for 2017 and 2018 will be the same, which is going to be above JPY62 [ph] billion. However, in the current mid-term business plan, the increase of the import policy, and also to some of the investment for rationalization of the business, the non-personnel cost is going to increase. And therefore that is going to become a factor to decrease in MCEV by about JPY30 billion.

Q - Tatsuo Majima {BIO 15338044 <GO>}

So, in one year, you need to be paying like JPY30 billion for the system because if you just paid out about JPY30 billion per year, i.e. there will be a more rather lenient impact?

A - Unidentified Speaker

This is Yamada again. We say JPY30 billion, but this is not the expenditure by JPY30 billion per year. This is for the calculation of MCEV. And so the expense that's incurred in this year as well the expense that will incur in the future years is JPY30 billion.

Q - Tatsuo Majima {BIO 15338044 <GO>}

So, okay, so my question is about the asset management?

A - Unidentified Speaker

On your second question, on the consolidated basis, net investment income even excluding the dividend factor is going to decline. This is Hatayama from Tokio Marine Holdings. So, excluding the dividend income, we are still expecting the net investment income decline. There is a JPY16.9 billion decline in the gains from sales of the capital, and also from the derivatives, there will be also a decline by JPY22.5 billion, and also the sales of the business-related equities, we are expecting JPY100 billion of equity sales.

Q - Tatsuo Majima {BIO 15338044 <GO>}

Thank you very much.

Operator

The next question is from Mr. Sasaki from Merrill Lynch. Over to you.

Q - Futoshi Sasaki {BIO 17564798 <GO>}

Hello. This is Sasaki from Merrill Lynch. On page 23, I have two questions on this page. For this fiscal year, in your outlook, for the other lines. The loss ratio is expected to decline quite substantially. Was there something to happen in the previous fiscal year? And is that going to be an absence this year, and that's the reason why that's coming down. So, is there anything related to liabilities that is going to improve that will have a substantial impact. And in the separate piece of paper, the E/I loss ratio, on a net basis that excludes nat cat expectations. Can you give me your outlook for this year? It was 50.2 last fiscal year, and how is that going to look like for this fiscal year? Those are my two questions.

A - Ichiro Sato {BIO 17747725 <GO>}

I'm Sato from the Corporate Accounting Department of Tokio Marine Holdings. Let me answer your first question first. With regards to the line E/I loss ratio for others. It's minus 4.5 points for fiscal 2018 projections in the others category. As you said, at the interim period, in last fiscal year, as we explained there were large losses and medium sized losses that increased. So it's absence of those type of losses, which is going to lead to minus 4.5 points in our projections for 2018. That concludes my answer.

A - Taizou Ishiguro {BIO 20620398 <GO>}

To answer your next question, Fukuda will answer your question from the Personal Lines Underwriting Department.

A - Yasunobu Fukuda {BIO 20083808 <GO>}

With regards to the E/I loss ratio is expected to be 62.8%. And we believe a decrease is expected -- the decline is about to be the same amount as last fiscal year.

Q - Futoshi Sasaki {BIO 17564798 <GO>}

Where are you, where can I find the 62.8%?

A - Yasunobu Fukuda {BIO 20083808 <GO>}

It's on page 23.

Q - Futoshi Sasaki {BIO 17564798 <GO>}

In the separate piece of appendix, when you exclude nat cat, you show the net loss ratio. And for the fiscal year the results were 60.2%. You not disclosed the outlook for this fiscal year?

A - Yasunobu Fukuda {BIO 20083808 <GO>}

Unfortunately not. For excluding nat cat, no, we don't.

Q - Futoshi Sasaki {BIO 17564798 <GO>}

Okay. But the decline is nat cat. Are you assuming that to happen for auto as well?

A - Ichiro Sato {BIO 17747725 <GO>}

Mr. Sato from the Accounting Department. Let me follow-up on your point. For results for fiscal 2017, the results were 60.2 on a excluding nat cast basis, so the impact was about 0.6% from nat cat. With regards to outlook for 2018 for auto. The nat cat assumption and the degree that we are accounting for is about the same as fiscal 2017. That's how we are assuming nat cat for 2018 compared to 2017.

Q - Futoshi Sasaki {BIO 17564798 <GO>}

Okay. Thank you very much.

A - Taizou Ishiguro {BIO 20620398 <GO>}

There seems to be no more questions from the floor. The operator is explaining how to ask a question for the Japanese audience. Please wait until the next question comes online.

Operator

There seems to be no more questions from the floor. Mr. Ishiguro, back to you.

A - Taizou Ishiguro {BIO 20620398 <GO>}

Thank you very much for attending the telephone conference for the 2017 financial results of Tokio Marine Holdings. If you have any more questions or points or clarifications. Please do not hesitate to contact us. Thank you very much for your participation.

Operator

This concludes the telephone conference for the fiscal 2017 financial results announcement for Tokio Marine Holdings. Thank you all of you for your participation. And this is the end of the conference call. Thank you.