May 20, 2021

Tokio Marine Holdings, Inc.

Conference Call Presentation Script

Thank you all for joining us today. I am Ishiguro of the IR Group. We will now begin a conference call on Tokio Marine Holdings' fiscal year 2020 results and fiscal year 2021 projections announced today. I am going to share with you the highlights of our performance. Please look at page 3 of the presentation material.

[Top line (2020 results and 2021 projections)]

First, we will look at our top line or net premiums written. In the fiscal year 2020, our net premiums written increased 0.2% year on year or 2.7% excluding the foreign exchange (FX) impact. To break this down, top line rose 0.6% year on year in Domestic Non-Life as the impact of COVID-19 and CALI premium reductions were offset by rate revisions in auto and fire and an increase in new contracts. In International Insurance, net premiums written rose 7.7% year on year on a local currency basis as decreases in net premiums written due to the impact of COVID-19 and bottom-focused underwriting practices were more than offset by steady rate increases and the expansion of disciplined underwriting practices.

Now, looking at the full-year projection for the fiscal year 2021, net premiums written are expected to increase 4.3% year on year or 2.2% excluding the FX impact. To break this down, net premiums written in Domestic Non-Life will almost move sideways as the impact of CALI premium reductions will be offset by a reaction to COVID-19, rate and product revisions, and the implementation of growth measures. We expect net premiums written in International Insurance to increase 6.0% on a local currency basis on the back of rate increases mainly in North America and new risk-taking to capture the hardening market. Based on what I have just described, we can say that the current underlying trend of our business is strong.

I will next talk about life insurance premiums. In the fiscal year 2020, life insurance premiums grew 6.5% year on year overseas on a local currency basis on the back of strong sales of medical stop-loss by TMHCC. In Japan, however, life insurance premiums shrank 4.5% year on year due to the significant impact of the surrender of corporate insurance, despite the strong sales of new products. As a result, life insurance premiums overall shrank by 2.7% year on year or by 0.7% excluding the FX impact.

In the fiscal year 2021, we project life insurance premiums to move sideways overseas excluding the FX impact. Overall life insurance premiums are projected to fall by 2.6% year on year or by 4.9% excluding the FX impact due to the continuing surrender of corporate insurance in Japan.

[FY2020 bottom line (results)]

Next, we will look at our bottom line or consolidated net income on a financial accounting basis. Please look at page 4 of the presentation material.

In the fiscal year 2020, consolidated net income fell by 97.9 billion yen from the previous year to 161.8 billion yen. This reflects the impact of COVID-19 and provisions of various reserves, which is a technical impact, and is also a major reason for the underperformance of consolidated net income against the full-year projection.

I will now break this down into each business segment and highlight the key issues of each segment. In Domestic Non-Life, consolidated net income shrank by 7.1 billion yen from the previous year despite the continuous strong growth trend of net premiums written in private insurance and an improvement made to the loss ratio due to the impact of COVID-19. The smaller consolidated net income in Domestic Non-Life is attributable to an increase in provisions for various reserves, which exceeded any improvement made to net incurred losses.

In Domestic Life, consolidated net income grew by 11.8 billion yen from the previous year thanks to the solid basic trend including new product sales and smaller system development expenses.

In International Insurance, consolidated net income decreased by 106.9 billion yen from the previous year due to the material impact of COVID-19, although there were positive factors for income such as a reaction to the provision of reserves posted at PHLY in the fiscal year 2019 in response to social inflation, rate increases, and the consolidation of Pure.

Adjusted net income, which is a source of shareholder returns, rose by 49.4 billion yen from the year earlier and outperformed the full-year projection by 4.1 billion yen as the impact of catastrophe loss reserves, which was a factor reducing net income in Domestic Non-Life, and the impact of good will were deducted from financial accounting-based income.

As I have explained so far, our fiscal year 2020 results were significantly affected by one-time or technical factors, and it may be difficult to see the actual conditions of our business. We will provide detailed explanations on our evaluation of Tokio Marine's fundamental capabilities at the IR conference scheduled next week. As shown in the "Other" category of adjusted net income, we consider that our fundamental capabilities are growing, although we are aware of the challenges existing in segments such as domestic fire insurance.

[Fiscal year 2021 bottom line (projections)]

We will now look at our projection for the fiscal year 2021 bottom line. Please look at page 5.

We project our consolidated net income on a financial accounting basis to nearly double from the fiscal year 2020 to reach 315.0 billion yen.

To break this down, in Domestic Non-Life, consolidated net income is projected to increase by 64.4 billion yen from the year earlier, despite an increase in investments for future growth, thanks to the continuation of the upward trend in our revenue and the impact of reactions to COVID-19 and the provisions for various reserves posted in the previous year.

In Domestic Life, we also expect consolidated net income to grow by 700 million yen from the year earlier due to factors such as profit contribution from in-force policies that have been steadily accumulating, although initial costs will increase as a result of the expanded sales.

In International Insurance, we project our consolidated net income to rise by 95.2 billion yen from the year earlier thanks to the growth of profit in Pure, steady rate increases, and a reaction to the impact of COVID-19 posted in the fiscal year 2020, although we will post additional provisions for reserves and our income gains will decline due to the lowering interest rates, and there will be some lingering impacts of COVID-19 such as net incurred losses caused by COVID-19.

Adjusted net income, which is a source of shareholder returns, is forecast to increase by 24.3 billion yen from the previous year, as we deduct the impact of various reserves and other factors from the financial accounting basis net income.

I would like to note that some changes were made to the definition of adjusted net income from the fiscal year 2021 to improve transparency and comparability. These include the deduction of the underwriting result of the first year and natural catastrophe reserves. Please read page 36 for details.

If we make the fiscal year 2021 projection using the former definition, adjusted net income will be 451.0 billion yen as the provision for natural catastrophe reserves will not be included and the reversal of the underwriting result of the first year will be added back. I also suggest that you read page 6 on the impact of COVID-19 and page 7 on natural catastrophes in the fiscal year 2020 and the fiscal year 2021 budget.

[Capital policy]

Lastly, I will explain our capital policy. Please skip some pages and go to page 30.

First, it goes without saying that our capital policy is designed to help us achieve our medium- and long-term targets, which are, as you know, over 500 billion yen in adjusted net income and around 12% in adjusted ROE.

We have recently revised ESR to exclude restricted capital from its calculation to better indicate our capacity for investments and shareholder returns. Due to this revision, our target range is currently between 100% and 140%. Page 31 shows the current level of our ESR. As of March 31, 2021, our ESR was 127%, which was at an appropriate level.

While there is no change to our policy of "prioritizing growth investments to achieve medium- and long-term targets," we will not pursue growth led by numerical targets. We are committed to implementing disciplined capital policy by carefully selecting investments that will help improve our corporate value and by providing shareholder returns if there is no good investment option. In this context, the basic means of our shareholder returns is ordinary dividend. We will continue raising the level of our ordinary dividend in keeping with profit growth.

For our ordinary dividend for the fiscal year 2021, we have increased dividend per share by 15 yen to 215 yen, making it the consecutive dividend increase for ten terms. Going forward, we want to continue pursuing a steady increase in dividend per share (DPS).

As stated in our press release, we have introduced the annual budget for the adjustment of capital level to improve transparency. The budget set for the fiscal year 2021 is 100 billion yen.

This amount includes amounts for small- and medium-sized M&As such as bolt-on M&As in line with our policy to prioritize growth investments. We will adjust capital level flexibly throughout the current term, instead of waiting to make adjustments until the end of the term.

As we will actively capture opportunities for beneficial M&As, business investments and capital adjustments we conduct may exceed the 100-billion-yen budget. We will also aggressively consider large M&As aside from this budget.

In other words, because our ESR is currently at an appropriate level, we will basically allocate available income to investments and shareholder returns, while achieving the medium- and long-term targets of over 500 billion yen in adjusted net income and around 12% in adjusted ROE.

We are aware that, if our business conditions dramatically change due to a financial crisis or major changes in economic conditions, we may review these approaches. We will provide detailed explanations on our shareholder returns at the IR conference scheduled next week regarding the first six months of this fiscal year.

[Conclusion]

During the period under the previous Mid-Term Business Plan, we had to deal with a challenging business environment brought about by events such as natural catastrophes, COVID-19, and low interest rates. In the next week's IR conference, we will clearly explain what we learnt and achieved in such an environment and what initiatives we will implement and what quantitative targets we will aim to pursue under the new medium-term business plan. We look forward to seeing you there.

We hope to achieve our medium- and long-term targets while steadily implementing our management strategies and to meet the expectations of capital markets. We would very much appreciate your continued support. This is all from me today. Thank you for listening.