

Presentation Script for FY2022 Results Conference Call

1. Presentation by CEO Komiya

- Good evening, everyone. I am Komiya. Thank you very much for participating in this conference call today despite your busy schedule. I also would like to express our gratitude for your continued support.
- I will start this conference call with an explanation of the details of the recent financial results and a message from management based on these results.

[Key messages]

- Please look at page 3 of the materials. There are three key points that we want to communicate to you today.
- The first point is our financial results for FY2022.
On an actual basis, our adjusted net income was JPY444.0bn, reflecting one-off effects from COVID-19 losses and natural catastrophes (Nat Cats). On a normalized basis excluding the one-off effects, our adjusted net income was JPY617.1 bn.
- In February this year, we announced that our projection to post a full-year income of approx. JPY580.0bn on a normalized basis. The actual result therefore exceeded our projection by +JPY36.1bn, which I believe shows that our capabilities are steadily and significantly growing based on the enhancement of globally integrated Group management.
- The second point is that we project our adjusted net income in FY2023 to reach JPY670.0bn on the back of our enhanced capabilities.
This represents a +9% YoY increase compared to the previous year's adjusted net income on a normalized basis or an +8% growth excluding FX impacts.
- The growth drivers are an increase in underwriting profit against the backdrop of rate increases and expanded underwriting and an increase in investment income mainly capturing the rising interest rates in the United States. In addition, on the sale of business-related equities, while we stated in the autumn of the last year that we planned to sell business-related equities worth JPY120.0 to 130.0 bn in FY2023 and accelerate their sale during the next medium-term business plan period to approx. 1.5 times the current level, we have recently decided to achieve these targets earlier, with a plan to sell business-related equities worth JPY150.0 bn from 2023 and to sell JPY600.0bn in total in the next four years until FY2026.

This will also raise our profit projection.

- The third point is that there is no change in our view that such strong profit growth of our business should be consistent with our shareholder returns.
- Our DPS for FY2022 will be 100 yen as originally planned at the beginning of the year, representing a +18% DPS growth. In FY2023, our DPS will be 121 yen, representing a DPS growth of +21%, as we will continue realizing dividend increases in line with profit growth.
- With respect to our capital stock, we will continue implementing a disciplined capital policy. With the current ESR of 124%, we recognize that our capital is at a sufficient level. In this context, our current policy on share buyback is to flexibly repurchase JPY100.0bn throughout the year. As the first step of this approach, we approved JPY50.0 bn share buyback today.
- I want to elaborate these points a little more. Please turn to page 4.

[Top-line results]

- First, let us look at our top-line results.
- In FY2022, we posted a YoY increase of +15% in net premiums written and an increase of +8% in life insurance premiums. With robust premium growth in both domestic / international and life / non-life insurance businesses, the topline momentum is strong.
- Given these results, we project net premiums written to increase steadily by +3% YoY in FY2023, driven by rate increases and expanded underwriting. As for domestic Life business, the Life insurance premiums expect to fall by 4% YoY, continuously reflecting factors such as surrenders & Lapses of the corporate owned life insurance; however, this momentum is not too bad.
- Next, I will explain adjusted net income. Please look at page 5.

[FY2022 adjusted net income on an actual basis]

- Adjusted net income in FY2022 was JPY444.0bn, which was JPY44.0bn greater than our full-year projection.

The factors contributing to the better-than-anticipated result were as follows: The one-off effects such as Nat Cats and COVID-19 on TMNF were smaller than expected. In addition, net incurred losses from marine & auto insurance and TMLF's claim payments were below our projections. As a result of these factors, the final profit was greater than our projection.

The above figures are based on the FY2022 figures on an actual basis. I will now explain our adjusted net income on a normalized basis excluding the one-off

effects. Please turn to page 6.

[FY2022 adjusted net income on a normalized basis]

- Removing the one-off effects such as COVID-19 losses, Nat Cats / losses in North America, from our FY2022 adjusted net income of JPY444.0bn on an actual basis, our adjusted net income on a normalized basis is JPY617.1bn.
- This represents a +22% profit growth compared with our FY2021 adjusted net income on a normalized basis. Again, it is fair to say that our capabilities are steadily enhancing .
- Next, I will explain our full-year projection for FY2023. Please turn to page 7.

[FY2023 full-year adjusted net income projection]

- I have earlier explained that we project FY2023 adjusted net income at JPY670.0 bn, representing a YoY profit growth of +9% on a normalized basis and +8% excluding FX impacts. This reflects the following factors that affect the results of our domestic and international businesses.

As for TMNF, we expect an increase in hedging cost and a rise in the loss ratio of auto insurance, while we also anticipate the continued improvement to the results of fire insurance, a fall in large losses, and a rebound from the provision for foreign currency denominated loss reserves posted in the previous period. As a result, we project TMNF to achieve a +11% profit growth.

Our international business is projected to grow by +6% or +5% excluding FX impacts, driven by an increase in underwriting profit against the backdrop of rate increases and expanded underwriting and by an increase in investment income mainly capturing the rising interest rates.

[Concluding remark by CEO Komiya]

- Lastly, I want to summarize key issues. As I have explained earlier, our financial results for FY2022 were significantly impacted by the one-off effects. This reaffirms the management team's view that it is extremely important to (1) strengthen each business as our global operation cannot exist without our local operations; and (2) raise and upgrade the levels of management and businesses through the implementation of global risk diversification strategy and integrated group management.
- We will work steadily with a renewed resolve; we want to manage our business with a strong desire to realize the world's top-class EPS growth and to raise ROE in FY2023 and beyond. I will elaborate these points at our IR Conference scheduled for next week.
- This is all from me.

2. Presentation by CFO Okada

[Shareholder returns]

- I am CFO Okada. Before concluding our telephone conference, I am going to explain our shareholder returns. Please turn to page 8.
- I want to reiterate that the basis of our shareholder returns is dividends and that we will keep increasing our DPS in line with our profit growth.
- On our DPS in FY2022, as Komiya explained earlier, although our adjusted net income for FY2022 was impacted by the one-off effects such as COVID-19 losses and Nat Cats, our five-year average adjusted net income, which is the source of our dividend payments, has risen to JPY400.0bn. As our business momentum is strong, our DPS for FY2022 is set at 100 yen as originally planned at the beginning of the year, which represents a DPS growth of +18%.
- As for DPS in FY2023, given that the source of dividend payments will increase on the back of a strong profit growth to JPY670.0 bn, we will raise the payout ratio to 50% as we promised in the autumn of 2021.
As a result, our DPS will be 121 yen with a DPS growth of +21%.
- This will mark the 12th consecutive dividend increase. Going forward, we intend to increase the moving average of the source of our dividend payments to achieve high DPS growth.
- There is no change to our approach to capital level adjustments.
- We understand that the current ESR is at a satisfactory level at 124%.
Accordingly, we will first allocate our capital to business investments and risk-taking projects that will contribute to enhancing our ROE and corporate value, and if there is no such opportunity, we will execute share buybacks as we do not intend to unnecessarily build up our capital.
- Based on this view, our current approach is to flexibly execute share buybacks worth JPY100.0 bn throughout the year, and today, we made a resolution to execute share buybacks worth JPY50.0 bn as the first step.
- We intend to steadily implement our business strategy to raise our EPS and ROE while managing volatility so that we can meet the expectations of participants in the capital market. We would appreciate your continued support.
- This is the end of my briefing.

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