

Presentation Script for 1Q FY2023 Results Conference Call

Presentation by CFO Okada

Thank you very much for participating in this conference call today despite your busy schedule. My name is Okada. I am Group CFO.

- Tokio Marine Holdings released our first quarter results today. I will explain their details.
- Please turn to page 3 of the materials.

[Key messages]

- There are three key points that we want to communicate to you today.
- The first point is that we have a steady performance toward FY2023 projections of JPY670bn.
- The first quarter saw an impact of Nat Cats in Japan and overseas as well as capital losses in North America. However, both were within the full-year projections. In addition, we made additional provisions for foreign currency denominated outstanding claims reserves in Japan and posted valuation losses on FX derivatives mainly due to the JPY depreciation. These, however, will be offset by an increase in profits overseas resulting from the cheaper yen.
- Bearing this in mind, I think we would say that we have a steady performance toward achieving the FY2023 projections of JPY670bn, especially considering the domestic fire insurance profitability improvement, an expansion of specialty insurance, as well as stronger than expected international insurance underwriting and an increase in investment income.
- The second point I want to talk about is related to a series of press releases issued by TMNF, which have caused concern and grief to our customers and participants in the capital market.
- First, TMNF issued a press release regarding potential price-fixing among Japan non-life insurers on June 20, 2023. We take this matter seriously and have established a special committee headed by several external lawyers to investigate potential additional infringements at TMNF.
- As stated in our press release issued on Friday last week, we received an order for the submission of reports from the Financial Services Agency of Japan. This order requires us to submit a report on an investigation into potential additional infringements, which are exactly what we are currently doing. We will respond

sincerely to this order.

We have analyzed the root cause of this matter and duly implemented recurrence prevention measures related to governance based on the analysis of the root cause and to ensuring thoroughly implementation of basic behavior as Tokio Marine employees.

- On the fraudulent insurance claims concerning BIGMOTOR, as stated in our press release dated August 1, 2023, we position the damage recovery of our customers as our priority and began contacting our customers who have or may potentially have been affected by this matter. We will earnestly and proactively take actions, including providing support for the confirmation of the driving safety of our customers, without waiting for the completion of BIGMOTOR's investigation into all vehicle repair cases.
- The third point is that, although these matters have occurred, it is our duty to provide appropriate insurance coverage under appropriate conditions and at appropriate rates based on our customers' preference. I therefore want to state that we aim to continue initiative to further improve domestic fire insurance profitability.
- In this situation, since July, Nat Cats in Japan have occurred slightly more frequently than what we projected at the beginning of the year. Excluding such impacts, our performance is solid in both Japan and overseas. Based on this, we have decided not to revise the full-year projections for the adjusted net income of JPY670bn at this stage, comprehensively considering factors such as the anticipated arrival of the intensive Nat Cats season.
- Also, we are not currently considering reviewing our shareholder return policy including our dividend and share buyback plans announced at the beginning of the year.
- Let me provide a little more detailed explanation on the first point.
Please turn to page 4.

[Top-line results]

- First, let us look at our top-line results.
- In the first quarter, net premiums written rose +9.9% YoY and life insurance premiums grew by +0.2% from the same period of the previous year.
- Excluding FX impacts, net premiums written increased by +6.7%, reflecting robust results in both Japan and overseas, but life insurance premiums fell ▲4.1%. This, however, is mainly coming from the increased surrender & lapse of Corporate Owned Life Insurance at AL in line with our projections. Overall, we would say that our performance is solid.

- Next, I will explain the main components of adjusted net income, using our evaluation of the first quarter. Please look at page 5.

[Evaluation of 1Q FY2023 adjusted net income and business unit profits]

- For the entire Tokio Marine Group, adjusted net income was JPY164.5bn, representing a 25% progress rate toward the full-year projections. This is lower than the average progress rate of 36% in the past five years. I have explained the reason for this slower progress at the beginning, and I consider that the results are solid.

- We will now look at the breakdown of each business.

- First, with respect to TMNF, their profit was affected by the cheaper yen and Nat Cats, which I have already explained earlier.

Regarding the JPY depreciation, it surely reduces TMNF's profit, but for the entire Group, it will be mostly offset by an increase in overseas entities' profits converted to the Japanese yen as stated in page 27 of the materials. In fact, the depreciation of JPY against USD will have the impact of increasing profit by +JPY0.4bn.

- Looking at the real figure excluding these impacts, the 1Q progress rate was 40%, which is in line with the past five years' average. In other words, we consider that the results are solid mainly due to the improved domestic fire insurance profitability and an expansion of specialty insurance.

- In the international insurance business, the first quarter results of the main businesses had an upswing of about JPY2bn compared to the plan.

First, underwriting profit rose c. JPY7bn compared to the plan, mainly driven by the strong results of DFG and TMSR in Brazil.

With respect to investment, we stated in May that we expected capital losses of slightly over ▲JPY20bn on a full-year basis. Our capital losses in the first

quarter were ▲JPY12.4bn, slightly above the projections. Meanwhile, income gains were also greater than the plan. In total, our investment results were in line with the projections we made at the beginning of the year.

This leaves the difference of around minus ▲JPY5bn, which represents losses incurred from FX fluctuations between the US dollar and British pound.

- The preliminary first-half figures for the main entities show an upswing of +c. JPY13bn in comparison with the local plan, showing a further acceleration in the strong performance from the first quarter.

This color will not change from the first quarter, but in this outside

measurement, we expect a loss of ▲c. JPY11bn in the second quarter as a provision for the reserve for overseas runoff reinsurance contracts.

- This is a provision for the reserve for the Adverse Development Cover (ADC) we are providing to the acquirer of our reinsurance subsidiary, Tokio Millennium Re AG (TMR), whose sale was closed in March 2019, to cover for social inflation. While we consider that the current reserve is appropriate, even if any further provision to the reserve becomes necessary in the future, a ceiling is set for the ADC. Our maximum additional loss therefore will be approximate USD100mn.
- This is a one-off loss, and our overall international business is robust and more than makes up for it. As stated in page 1, the first-half preliminary figures as of the end of June show that our international business overall was progressing in line with the full-year projections, reflecting this loss.

[Concluding remark]

- In conclusion, we consider that our performance is solid, although we will need to closely monitor the situation of Nat Cats which will intensify from now on and the situation of the investment environment.
- We hope to achieve the world's top-class EPS growth and to raise ROE to the level comparable to the world's best by steadily implementing our management strategies leveraging our strengths such as global risk diversification and global integrated group management.
- For insurance businesses, it is evident that the trust our customers place in us is the source of all our business. We take the series of recent incidents seriously and will provide supervision and guidance as Tokio Marine Holdings to ensure that TMNF steadily implements various initiatives.
We would appreciate your continued support.
- This is all from me.

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