

## IR Meeting Q&A (November 28, 2019)

### Management Strategy/ Numerical Management Targets

Q: The adjusted consolidated profit forecast for FY2020 is for ¥205.0 billion to ¥215.0 billion. Is this achievable in light of the current situation, including the impact of reinsurance premiums and the budget for natural disasters in FY2020 and overseas insurance business results?

A: Regarding the FY2020 plan, in the domestic P&C insurance business, we are currently assessing the impact of natural disasters for FY2020; however, we consider the plan to be achievable with the further revision of the automobile insurance premium rate (January 2020) and other measures to improve the loss ratio. In the overseas insurance business, although there will be some impact on investment profits due to the low interest rate environment, rate-hike in the market and profit growth in the retail business are sufficient to absorb it. We therefore see the plan as achievable.

Q: Given the possibility for normalization of external environmental changes (a “new normal”), has there been any change to the time frame in your aim to reach adjusted consolidated profit of ¥300.0 billion and adjusted consolidated ROE of 10% level into the early 2020s?

A: In their assessment, the Japan Meteorological Agency and others have noted the possibility of an increase in flooding events due to climate change. Meanwhile, in view of future climate change, we are working with research institutes to conduct quantitative research on the risk of storm and flood events going forward. We intend to reflect this research in next mid-term management plan.

Q: In considering large-scale M&As, what is your opinion on capital surplus?

A: We continue to have a strong appetite for large-scale M&As. With a certain amount of procurement through subordinated bonds and continued reduction of strategic holding stocks, we believe there is plenty of capital capability to enable major acquisitions. Moreover, we believe that we can maintain an appropriate level of ESR even after executing a large-scale M&A. On the other hand, currently it is a difficult time to find good M&A pipelines for which we can properly explain the objectives and effects to investors because of the high valuations in the M&A market right now.

### Shareholder Return

Q: With regard to shareholder returns, you’ve said that you are aiming for the amount of total returns that are at least higher than the previous fiscal year. What kind of level are you aiming for?

A: For our total shareholder returns in FY2019, we see maintaining the same level of the amount as

the previous fiscal year as the minimum line. We also will increase the dividend as planned. In our briefing at the start of the fiscal year, we indicated our intention to bolster shareholder returns; however, considering factors such as the low likelihood of a large-scale M&A within the fiscal year and the total shareholder return yield, we will discuss in the Board of Directors, making reference to other companies factors such as the level of total returns.

#### Domestic P&C Insurance Business

Q: You've said there might be possibility that the increase in natural disasters might represent a new normal. What kind of time frame are you considering for reflecting this in fire insurance premium rates and so forth?

A: We finished revising fire insurance premium rates in October of this year, and we are looking at making further revisions in January 2021. These revisions will improve profitability, but we recognize that further revisions will be required if the trend of increasing natural disasters actually becomes normal. If that happens, it will necessitate a discussion regarding the framework for the entire industry, including us.

Q: You've said that you will try to dramatically increase underwriting profit for the domestic P&C insurance business over the medium term. What specific initiatives will you undertake?

A: We are currently examining initiatives to improve the level of our underwriting profit by several tens of billions of yen, aiming around the next mid-term management plan. Since pricing strategy and cost reduction initiatives make up the majority of our initiatives, at this point, we believe this goal is highly realizable.

Q: Is there any room for further improvement on fire insurance profitability other than revision of premiums and reinsurance protection? For example, shortening the insurance period of long-term policies, and so forth?

A: In the short term, we will steadily proceed with premium rate revision and optimization of reinsurance protection. Over the medium to long term, it is necessary to promote diversification of insurance lines, geographies, and businesses. Regarding reducing the period of long-term policies, we recognize that it will need to be examined at the industry level.

#### Overseas Insurance Business

Q: What is your stance on succession planning for the overseas insurance business owner?

A: Our Nomination Committee is discussing succession plans for all business owners and CxOs, not

only the overseas insurance business owner. We are currently determining the necessary qualifications and so forth for each post.

Q: Does the appointment of M&A executive officer signify the start of serious preparations for the next large-scale M&A?

A: We are still of the opinion that valuations in the M&A market are high. However, we will continue to examine M&As, taking a disciplined approach by collecting a variety of information under the overseas M&A executive officer, who has an extensive information network.