

## IR Meeting Q&A (May 28, 2020)

### Management Strategy/ Numerical Management Targets

Q: Comparing the forecast for FY2020 (excluding the impact of COVID-19) with the plan for FY2020 announced in May 2019, the domestic P&C insurance business is likely to be higher than the plan while the overseas insurance business is slightly lower than the plan. Based on the changes in the business environment after COVID-19, what are the numerical targets for fiscal 2021 and beyond?

A: In the domestic P&C insurance business, we aim to increase profits by approximately 60 billion yen (before tax) over the medium term through the strengthening profitability started since FY2019. In FY2020, we will be able to offset the impact of the cost hike related to natural disasters with rate revision, disciplined underwriting and cost reduction. On the other hand, toward FY2020 forecasts, the overseas insurance business would partly offset the impact of the decline in interest rates in emerging countries with disciplined underwriting and rate revision. Although we are not too optimistic about the period from FY2021 onward, we can continue to grow since we believe at this time that COVID-19 will not have impact over the medium to long term.

Q: Based on the impact of COVID-19, is there any change in the business portfolio mix and the timing of achieving adjusted consolidated profit target of 300 billion yen?

A: While we are currently discussing the next medium-term management plan (Scheduled to start in FY2021), we aim to transform both existing businesses and new businesses. Specifically, we aim to develop our domestic insurance business by improving productivity, while aiming to grow the overseas insurance business with advanced underwriting expertise. Meanwhile, in the nursing care business, we aim to increase profits by growth in peripheral business fields, improving productivity, and providing solutions to social issues in Japan by expanding consulting services to the 3<sup>rd</sup> parties based on our accumulated know-how. Digital technology will be the foundations of all businesses, such as productivity improvement, and we aim at growth to provide solutions, starting with a joint venture with Palantir, which is an excellent data analytic company.

### Impact of COVID-19

Q: Will additional impact of COVID-19 based on provisionally estimated scenario, which is not factored into FY2020 forecasts, be -30 billion yen at the worst case? How much is impact of the decline in the topline due to the slowdown of business activities included?

A: The “additional impact” is based on provisionally estimated scenario, and is not the actual impact. As the impact on the topline due to business slowdown depends on the each contract, all impacts would not occur in FY2020. On the other hand, since both positive and negative impacts will fluctuate depending on scenarios, we will revise the forecast if necessary in light of the future outlook in appropriately and timely manner.

Q: Has the M&A strategy, shareholder return policy, and total payout ratio changed after COVID-19?

A: We keep strong appetite to M&A and the well-disciplined policy for domestic and overseas M&As. There has been no change in our shareholder return policy, and we still intend to strengthen shareholder return if we don't carry out a large-scale M&A.

## Shareholder Return

Q: Although the impact of COVID-19 was still unclear at this time, what factors made you decide share buybacks?

A: We judged comprehensively taking account into the following factors: (1) announced share buybacks were the shareholder return corresponding to FY2019 results; (2) adjusted consolidated profit for FY2019 exceeded the forecast announced in November 2019; and (3) there were no concerns about financial soundness and liquidity. In FY2020, we keep our shareholder return policy, and will decide based on whether COVID-19 will affect our business results in the medium term.

## Domestic P&C Insurance Business

Q: When will the impact of the reform of profitability of 60 billion yen (before tax) be materialized? What are the breakdown?

A: The impact will be materialized within a few years. A less than half of the impact will come from rate revision and the rest will come from disciplined underwriting, cutting operating costs and topline expansion.

Q: How reinsurance cost hike on the back of large-scale natural disasters two years in a row will affect the future reinsurance protection strategy?

A: We will decide based on the balance between profit stability and reinsurance cost.

(End)