

Demographics will challenge Japan's insurers and banks

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Speakers



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Agenda

1. Japan's aging population
2. The impact on insurers and banks

1

Japan's aging population



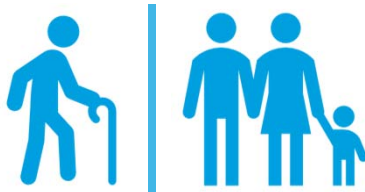
Japan vs. USA

The highest of elderly globally

Elderly ranking



Elderly as % of population



Working age population



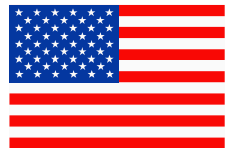
2015 → 2045



1

28%

-27%



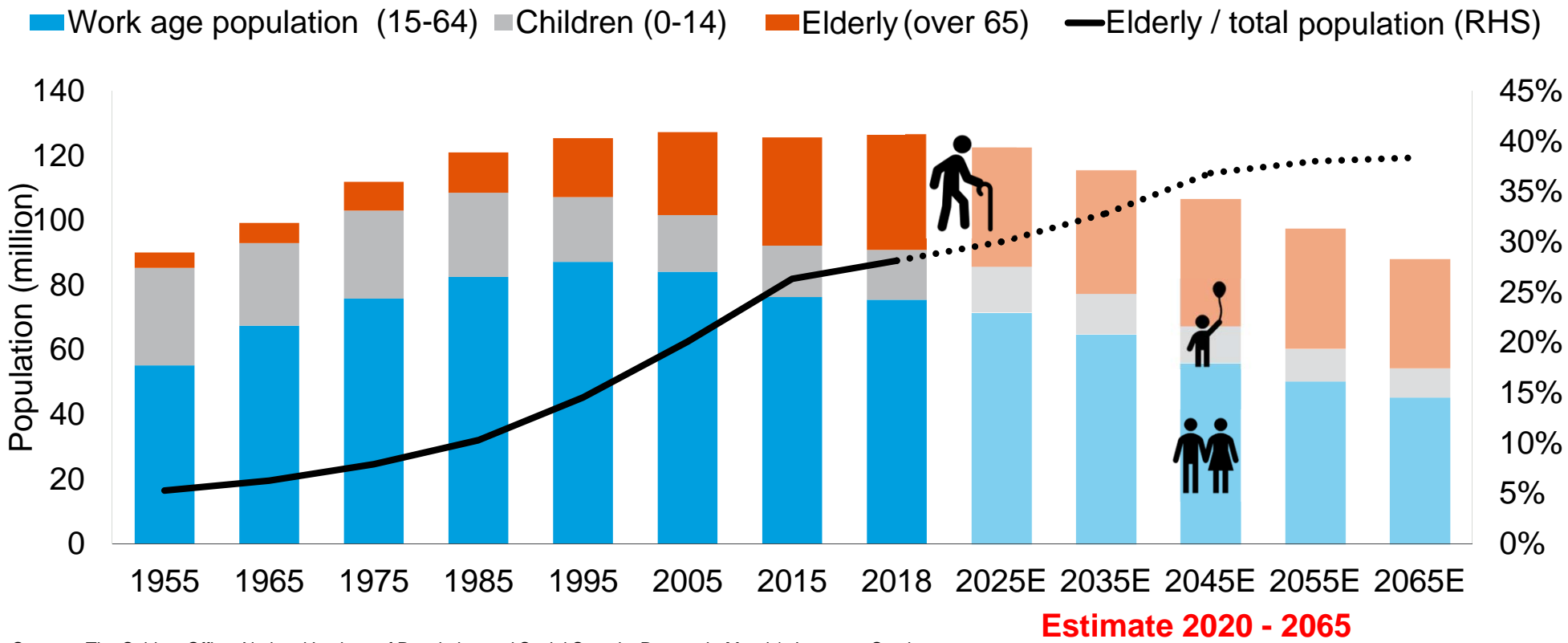
41

16%

8%

Source: United Nations

Japan's population is aging and shrinking



Sources: The Cabinet Office, National Institute of Population and Social Security Research, Moody's Investors Service

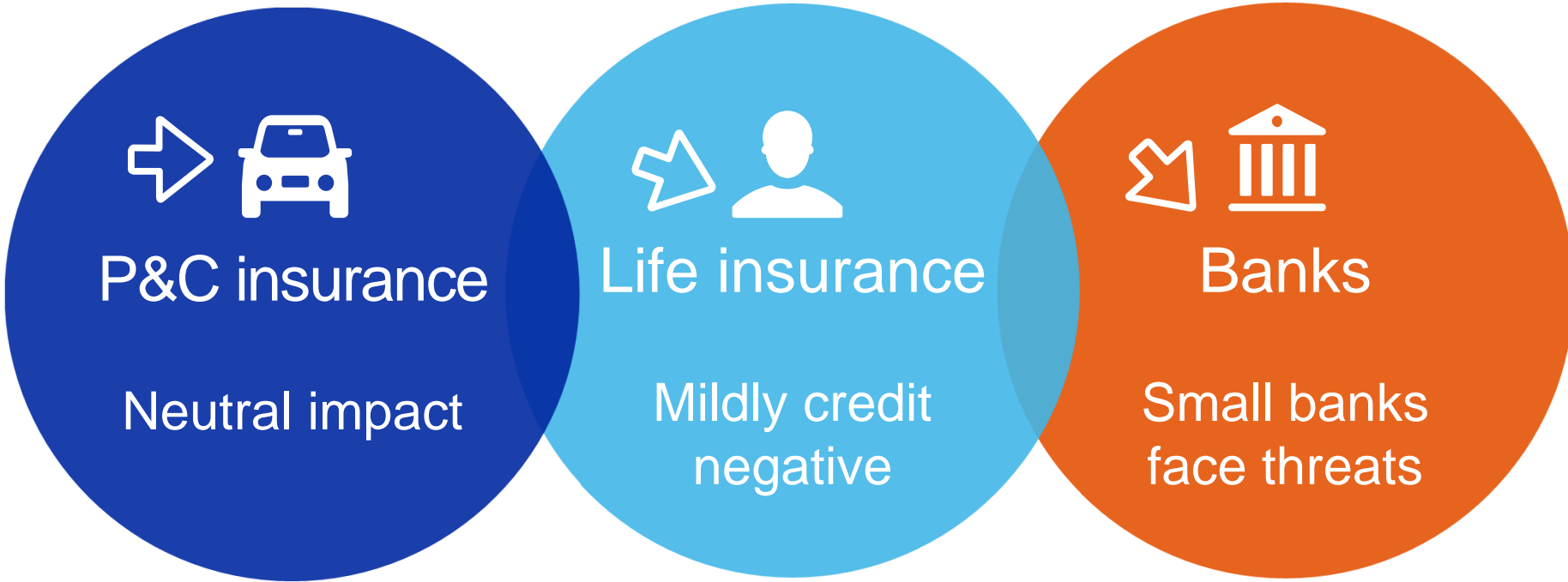
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The impact on insurers
and banks



How do we view
the impact?

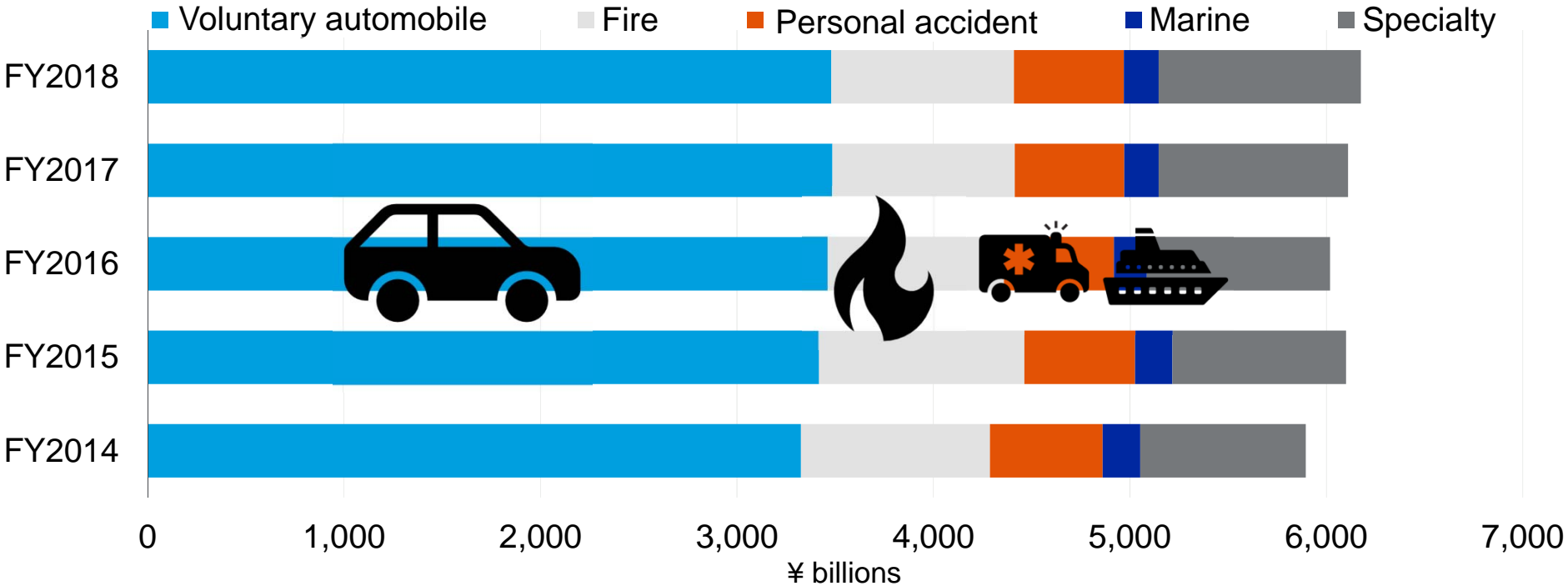
Japan's P&C insurance is the most immune



P&C insurance

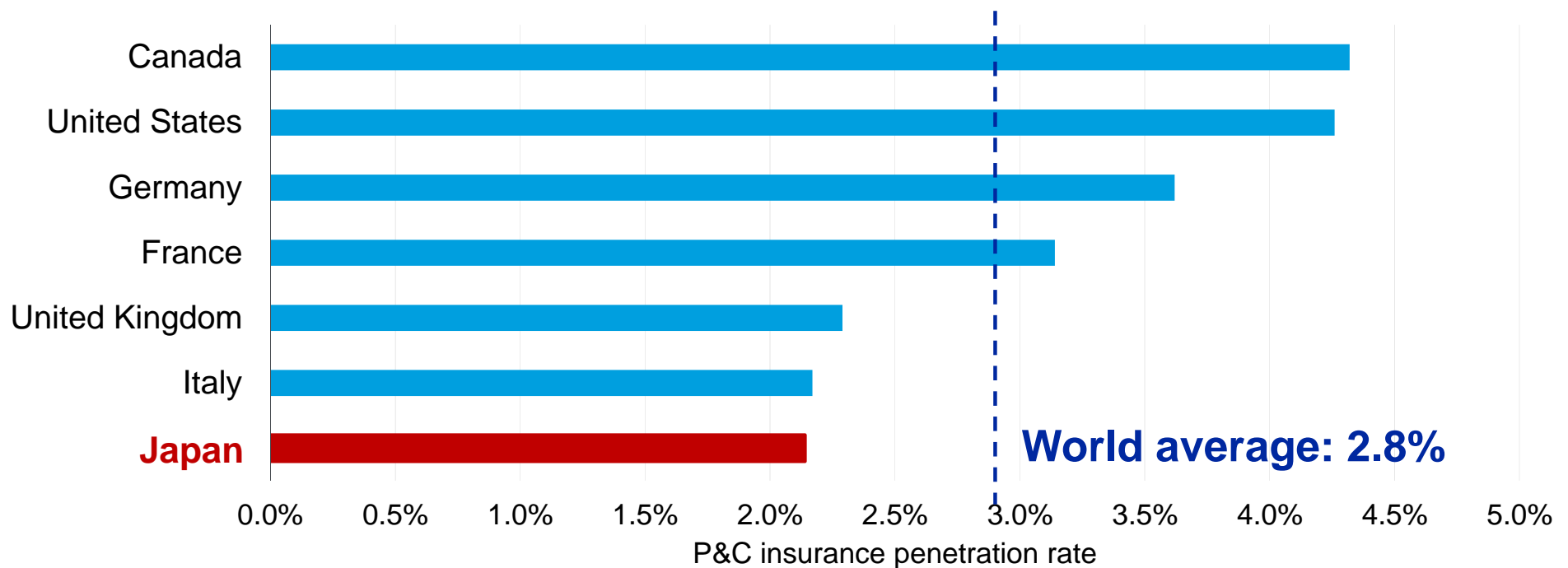


Auto insurance remains biggest revenue source for P&C insurers, but demand will decrease



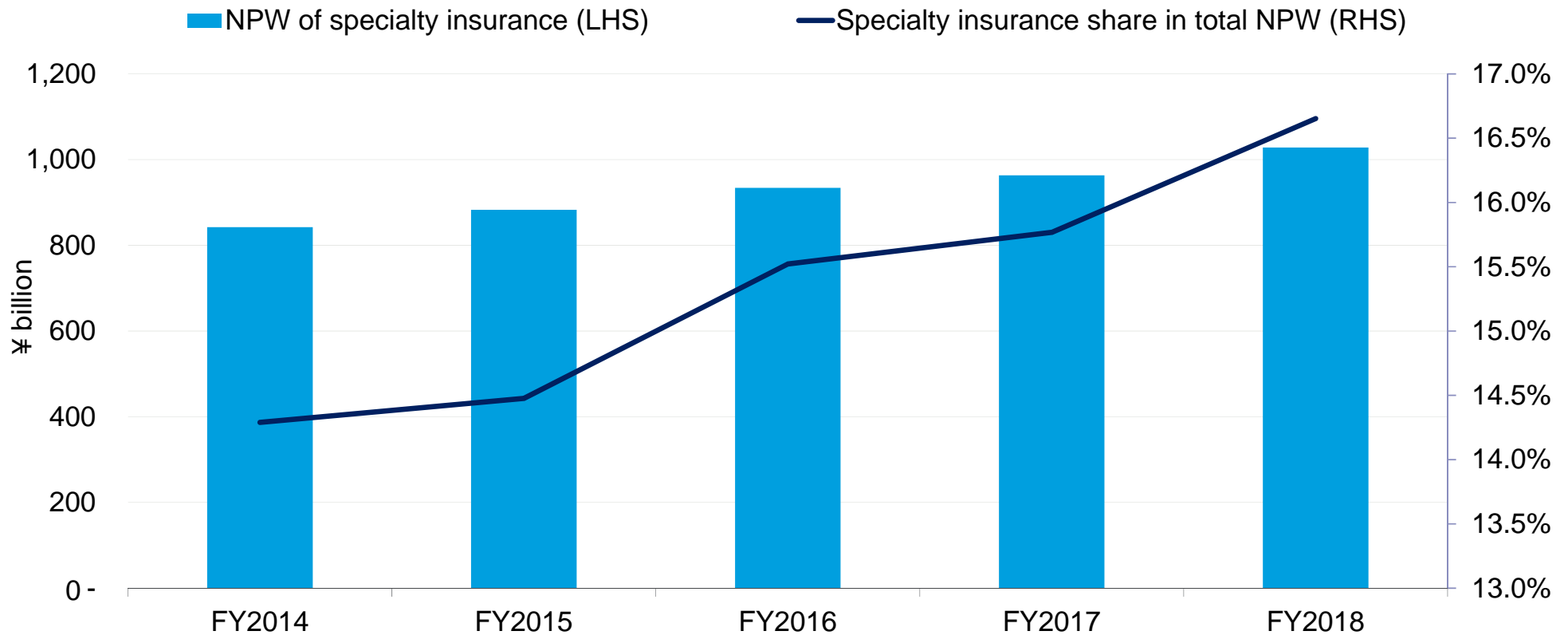
Note: Specialty products are categorized as "other."
 Sources: Aioi Nissay Dowa Insurance Co., Ltd. (ADI), Mitsui Sumitomo Insurance Company, Limited (MSI), Sompo Japan Nipponkoa Insurance Inc. (SJNK), Tokio Marine & Nichido Fire Insurance Co., Ltd. (TMNF)

But, Japan's P&C insurance penetration rate is lower than those of other developed markets

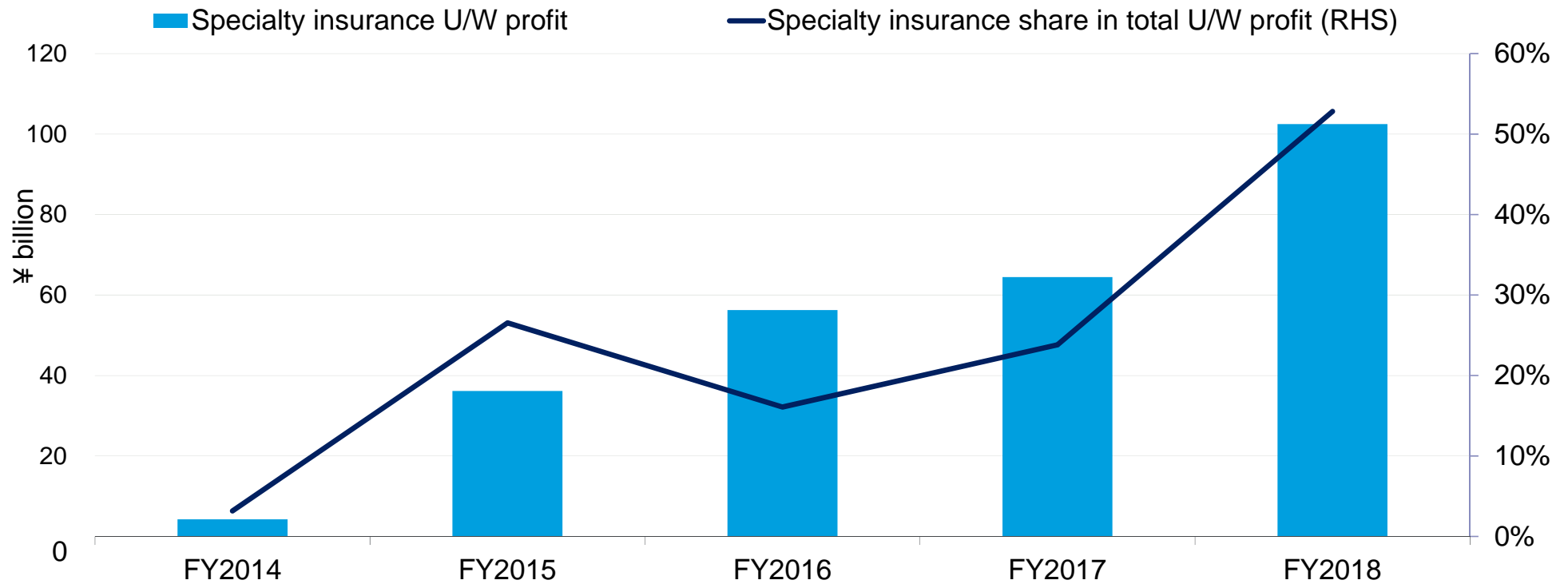


Note: Penetration rate is calculated by dividing P&C premium income by GDP.
Source: Swiss Re

Specialty insurance premiums are growing and can replace lost premiums from auto insurance



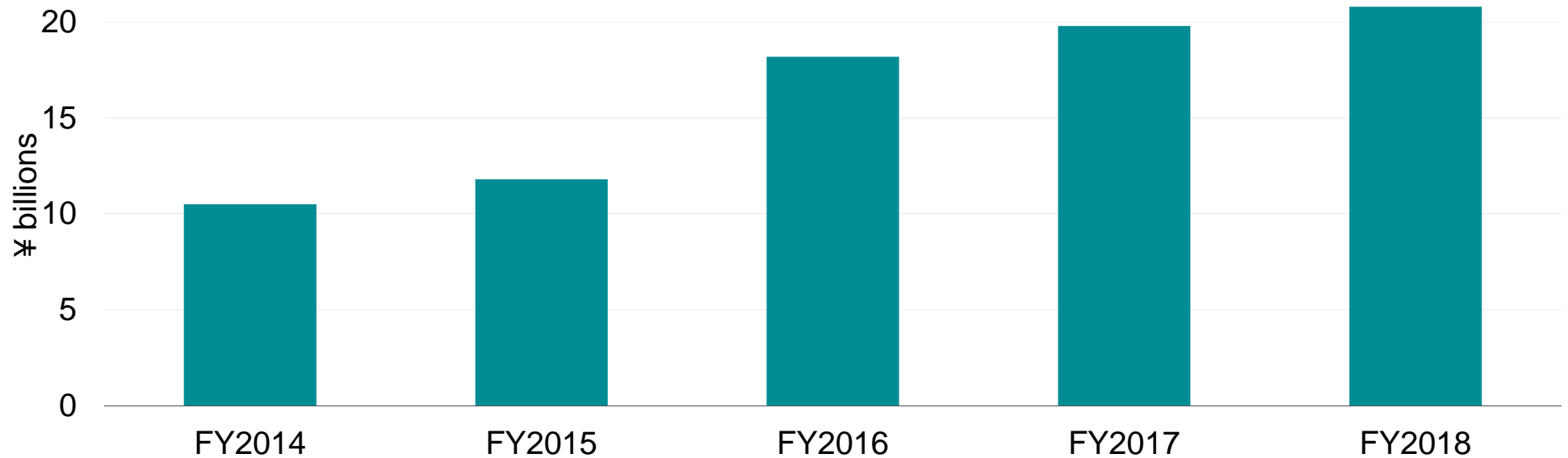
Specialty insurance profit is growing



Note: No figure for specialty insurance's share in overall underwriting profit is shown for FY2013 because the industry as a whole posted a loss in FY2013 due to large natural catastrophe losses.

Sources: ADI, MSI, SJNK and TMNF

Premiums from cyber insurance are increasing



Source: Japan Network Security Association's report

P&C insurers made large overseas acquisitions to pursue growth and diversify risk exposure



Sompo Japan Nipponkoa

- » Acquired a US/Bermuda specialty insurance group
- » Consideration: USD6.3 billion



Mitsui Sumitomo Insurance

- » Acquired a UK insurance group with reinsurance and Lloyd's operation
- » Consideration: GBP3.4 billion



Tokio Marine & Nichido Fire

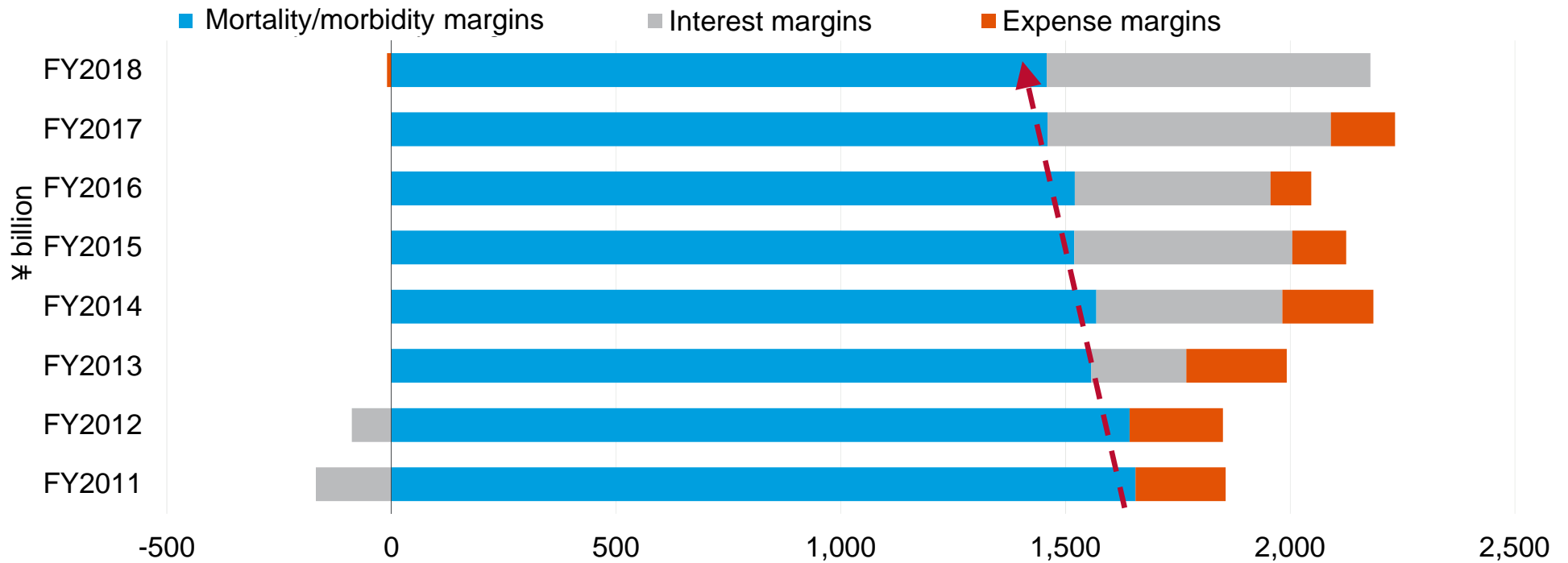
- » Acquired a US specialty insurance group
- » Consideration: USD7.5 billion

Sources: Company disclosure



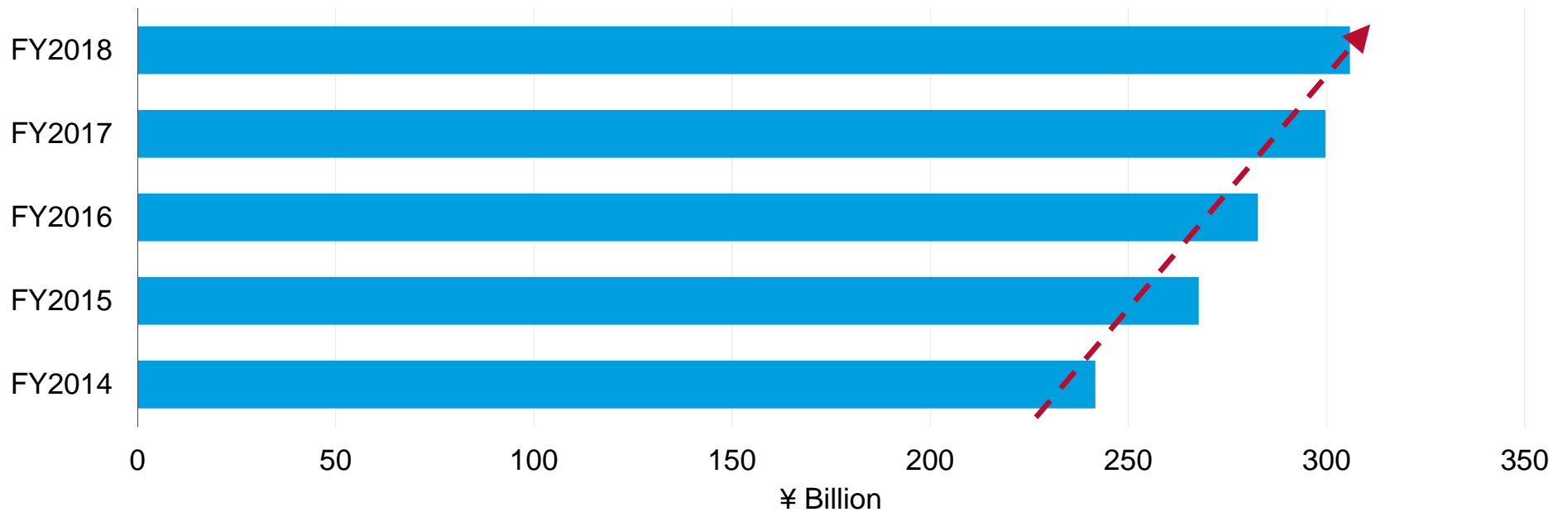
Life insurance

Mortality and morbidity margins have been declining



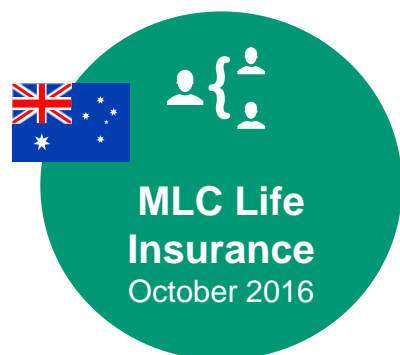
Sources: The Dai-ichi Life Insurance Company, Limited (Dai-ichi), Fokoku Mutual Life Insurance Company (Fokoku), Fokokushinrai Life Insurance Company, Limited (Fokokushinrai), Meiji Yasuda Life Insurance Company (Meiji Yasuda), Mitsui Life Insurance Company Limited (Mitsui), Nippon Life Insurance Company (Nippon) and Sumitomo Life Insurance Company (Sumitomo)

Sales of third-sector products are growing



Sources: Aflac Life Insurance Japan, Ltd., Dai-ichi, Fukuoku, Fukuokushinrai, Meiji Yasuda, Mitsui, Nippon, Nippon Wealth Life Insurance Company Limited and Sumitomo

Large Japanese life insurers will continue to seek overseas growth and expand asset management businesses



Nippon Life

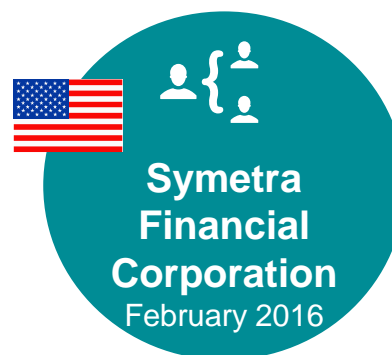
- » Acquired an Australian life insurer
- » Consideration: JPY180 billion

Sources: Companies



Meiji Yasuda Life

- » Acquired a US life insurance group
- » Consideration: USD5 billion



Sumitomo Life

- » Acquired a US life insurance group
- » Consideration: USD3.7 billion

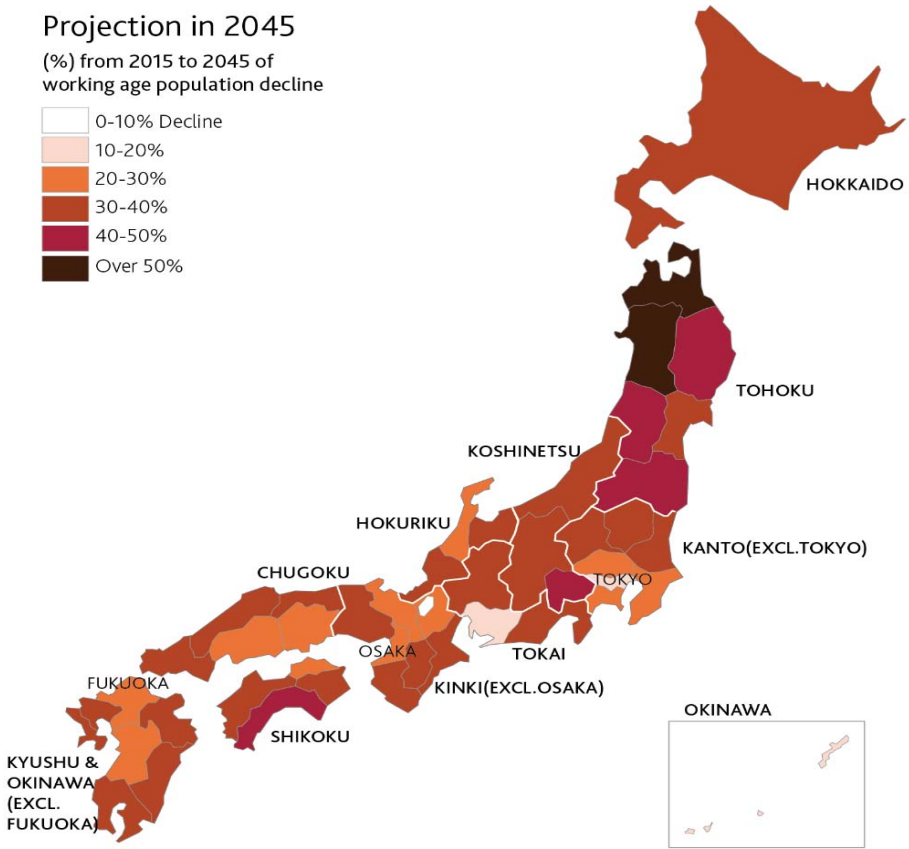


Dai-ichi Life

- » Acquired a US life insurance group
- » Consideration: JPY575 billion

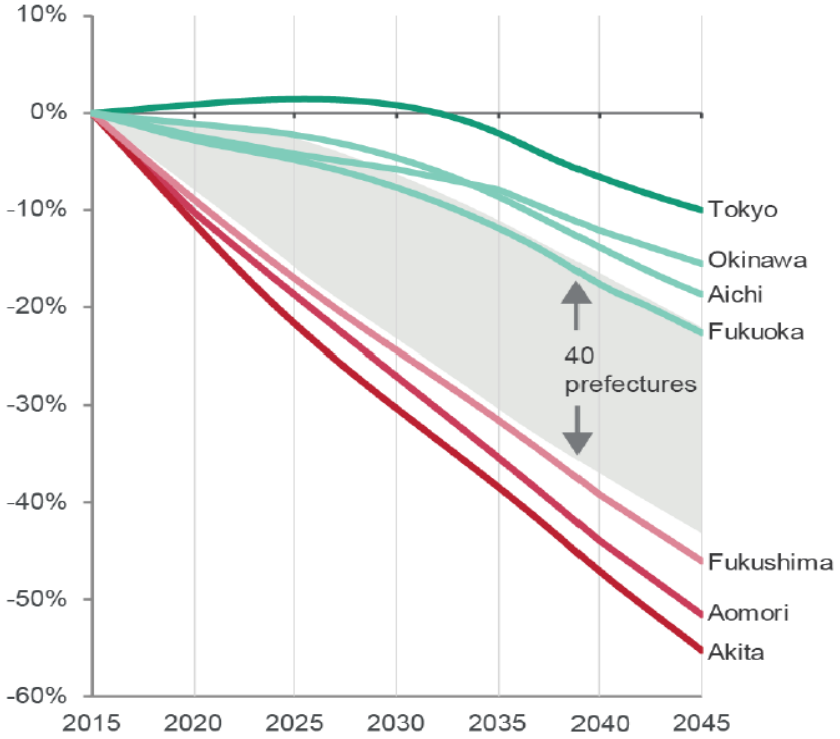


The viability of small banks is threatened...



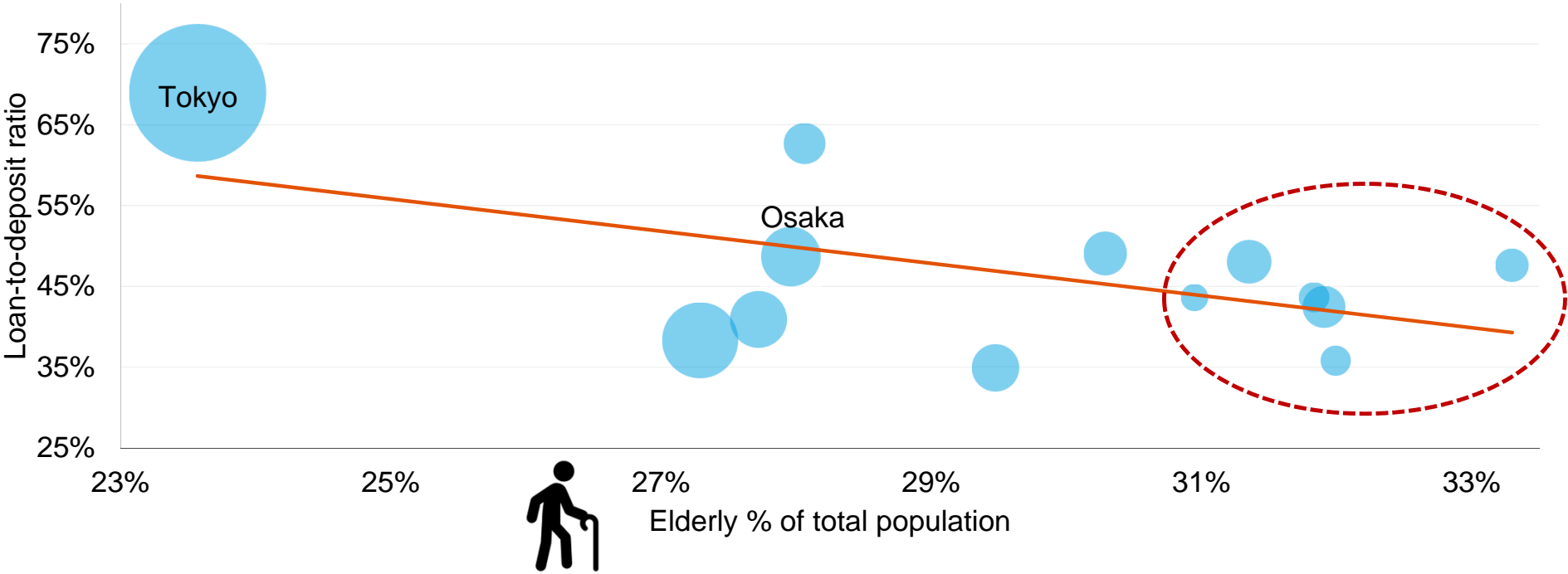
Sources: National Institute of Population and Social Security Research, Moody's Investors Service

Working-age populations declining in all prefectures except Tokyo



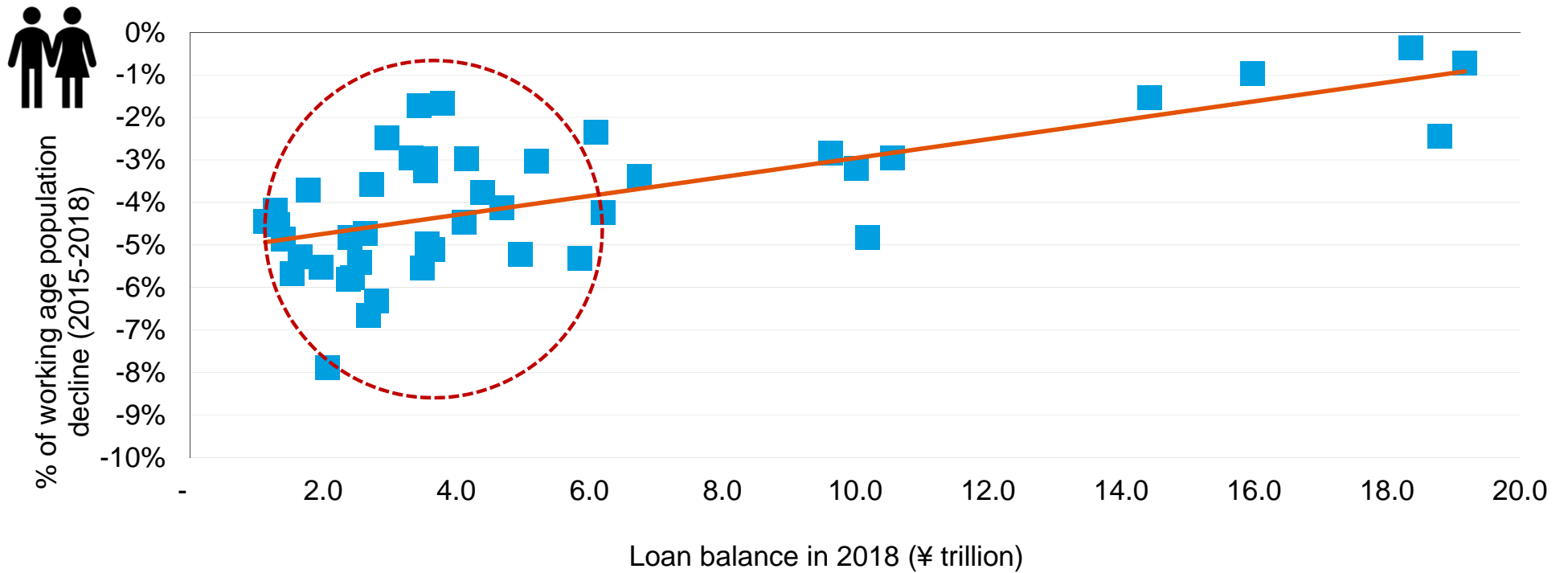
Sources: National Institute of Population and Social Security Research, Moody's Investors Service

Banks in regions with large elderly populations struggling



Note: In 2018, The size of each bubble represents the size of the loan balance in the region.
Sources: Bank of Japan, Japan Post Bank, Ministry of Internal Affairs and Communications, Moody's Investors Service

Vicious cycle



Note: Tokyo and Osaka are excluded

Sources: The Bank of Japan, Ministry of Internal Affairs and Communications, Moody's Investors Service

Large banks are better placed to manage the impact of demographic change

1

Sufficient resources to invest in new businesses

2

Retail businesses account for a small portion of earnings

3

Overseas income will mitigate domestic challenges

4

Can access technology to cut costs

Questions & Answers

Thank You



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