Capital Markets Day Q&A (May 26, 2021)

Growth Investment / Shareholder Return

Q: The dividend for FY2021 is forecasted to increase 40 yen from FY2020, which surpassed the rate of prior dividend increases. I would like to know your thoughts about future dividends.

A: We have given consideration toward original dividend forecasts we had announced, even during FY2018-2019 when there were large-scale natural catastrophes. We have pursued a basic policy of increasing dividends in-line with profit growth under the New Medium-term Management Plan, and will continue to pay dividends based on this policy.

Q: I would like to ask about the conditions required for implementing additional payout.

A: The main change to the policy of shareholder returns under the New Medium-term Management Plan is an increase of dividends in-line with profit growth. In terms of our policy regarding the total payout ratio, we have previously aimed for a range between 50-100%. Based on the opinions of investors, we have organized the information in terms of clarity, and there is no change in our basic policy. We will consider additional returns every year based on factors such as trends in M&A activities and the financial markets.

Q: What are your thoughts about M&A?

A: We are continuing to consider bolt-on M&A from perspectives such as contributions to supplementation and diversification of existing businesses, and recognize that disciplined investments and PMI are particularly important. For large-scale M&A, our policy is to carry out projects for which we can foresee profitability and smooth integration after acquisition. We will further increase the probability of achieving the business plan by implementing M&A appropriately.

Domestic P&C Insurance Business

Q: Please explain your outlook regarding the loss ratio for automobile insurance under the New Medium-term Management Plan.

A: Unit repair costs have been rising recently, while the accident rate has declined even compared to rates prior to the coronavirus pandemic, on the back of the further penetration of ASV. We expect that the loss ratio for automobile insurance will move in the direction of improvement during the New Medium-term Management Plan.

Q: I would like to ask about the business environment under the New Medium-term Management Plan. Do you foresee the combined ratio improving for the insurance industry?

A: The main factor behind the recent worsening of the combined ratio is the loss ratio for fire insurance. We recognize that improving the combined ratio is a common problem shared by the insurance industry. Meanwhile, the earnings structure reform is an initiative that allows us to differentiate ourselves from peers, and has so far resulted in achievements such as reform of our sales channel and improvements to loss ratios through underwriting based on our unique expertise. Improving productivity and loss ratios by utilizing these unique company foundations is a key element of the earnings structure reform. We believe that accomplishing this will allow us to achieve top class combined ratios in the industry.

Overseas Insurance Business

Q: I would like to hear about assumptions and initiatives regarding the profit plan for FY2022-FY2023.

A: Even recently, we have been achieving rate increases that surpass assumptions based on advanced underwriting skills. However, we foresee that they will gradually settle down in the run-up to FY2023. Based on this, we will continue to increase the number of underwriters in strategically important units such as U.S. casualty insurance and also advance geographical diversification of property insurance. Meanwhile, as for profitability, loss ratios excluding one-time factors have steadily improved so far. We see increasing revenue alongside improving profitability as fully possible. In addition, our expense ratio is at a level that gives us a competitive edge against peers. Overall, we think that our profit plan for Overseas Insurance Business in FY2022-FY2023 is fully achievable. Furthermore, although we plan to raise the retention ratio (less ceding) to some extent, it is our policy to make flexible adjustments based on ESR, capital, and reinsurance market trends.

Q: How are you managing the risk of natural catastrophes overseas?

A: So far, we have reduced the weight of natural catastrophe exposure in our portfolio, and intend to reduce it by several points further. In addition to diversification of line of businesses, we will improve profit stability through expansion of regions and scale, and reinsurance strategies, etc..

Real Data Platform (RDP)

Q: I would like to ask about specific points to be reached of the RDP.

A: The KGI for RDP is to establish a business model for external sales of RDP-utilizing products and services in two or more businesses and achieve profitability. Business models using digital technology are polarized depending on whether or not they grow exponentially. Our strengths are that we have real businesses and workplaces and that the quality of our data is high. We will collaborate with our partners and establish our position as an operator that manages the RDP.

Q: You mentioned that the medium- to long-term business scale of the RDP is over 500 billion yen. What level of profit targets are you projecting?

A: Profit targets are being discussed by the Board of Directors. Now several PoCs (Proof-of-Concept) are in progress in the fields of nursing care, and disaster prevention and mitigation. We will present profit targets at the stage of providing specific contents of services.

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