

IR Meeting Q&A (November 25, 2021)

Overview

Q: How do you evaluate the progress made as of 1H FY2021, toward the Group management targets for FY2023?

A: We think that progress is well underway at this point as the Earnings Structure Reform in Domestic P&C Insurance business and top line growth in Overseas Insurance business are progressing better than expected.

Shareholder Return

Q: Why did you deliver the Supplemental return despite the situation where ESR level remained within the target range? Will you continue to deliver the Supplemental return even when the ESR level remains within the target range?

A: We make decisions on delivering the Supplemental return by taking into account overall risk and capital situation. We will continue to monitor risk and capital situation on a regular basis, and consider delivering the Supplemental return if the capital level stably exceeds our expectations even when the ESR level remains within the target range.

Q: You mentioned that you returned excess capital to shareholders this time, but how do I interpret “excess”? Am I correct in understanding that the Supplemental return has been delivered since the ESR level was expected to stably exceed 200% after the 600 billion yen growth investment is made?

A: Yes, for the most part. A certain amount of the excess capital has been generated in the past six months compared to the assumption in the Mid-Term Management Plan. While taking into account the possibility of a decrease in the excess capital due to market fluctuations, etc. in the future, we have delivered the Supplemental return in the portion that there was a high probability of a certain amount of the excess capital being generated.

Growth Investment

Q: What is your stance on investment in the Digital business?

A: As for the Digital business investment, we recognize not only financial profit but also the importance of promoting collaboration and commercialization through strategic investment. Although we are making good progress in terms of both types of the profit, and collaboration and commercialization at this point, we will continue to aim for profit generation through a disciplined cycle of investment and profit.

Overseas Insurance Business

Q: In the FY2021 full-year forecasts (the revised forecasts), the adjusted profit of Sompo Seguros has been revised downward. Is there a risk that the increase in reserves, which is one of the reasons for such downward revision, will also occur in other overseas insurance subsidiaries?

A: SIH's CFO and the Internal Audit Section, which have a direct oversight of SI's Retail Insurance business, have strengthened monitoring of other overseas insurance subsidiaries. We have not confirmed any events like the one that occurred in Sompo Seguros.

Q: Although the top line in Overseas Insurance business is growing above the plan, the loss ratio is also higher than planned. Do you need to revise your future plans?

A: We have achieved more rate increases than planned. The loss ratio has been affected by natural disasters, especially hurricanes, but we have responded to it by taking measures including reviewing our portfolio, diversifying areas and lines, and changing our reinsurance strategies. While we also need to keep a close eye on the impact of social inflation, we have been able to achieve rate increases that exceed the loss cost trend, and we believe that we will be able to achieve the actual amount of profit indicated in our plan with a high degree of likelihood.

Q: The risk of overseas natural disasters seems to have been increasing. Is the current level acceptable, based also on the diversification effect on a Group-wide basis? Do you need to make additional capital allocation to Overseas Insurance business?

A: In order to reduce the amount of overseas natural disaster risk, SI focuses on shifting its portfolio from Global Catastrophe to Global Casualty. At this point, SI has fully met the capital requirements by internal standards and local authorities, based on its future business plans. The Group-wide diversification effect is also fully working, and there are no problems.

Q: What is your management stance on the overseas retail insurance business? Will you focus on Insurtech areas?

A: We think that scale expansion as well as risk diversification is important. We also plan to actively approach new channels and markets, and we are working with Insurtech companies to enter new markets. In emerging countries, there are head winds such as decline in exchange rates, but retail insurance business will firmly contribute to profit growth.

Nursing Care RDP

Q: How do you project unit sales price of Nursing Care RDP and the number of operators to which it will be sold?

A: We are examining what a reasonable unit sales price is, based on the cost savings by implementing the Nursing Care RDP. As an initial step, we have made a list of 400 nursing care providers. Going forward, we plan to take a variety of approaches including participation in exhibitions and digital marketing.

Q: Initiatives to monetize the Nursing Care RDP seem to have been underway. What measures will you take to expand the business? Are you considering expanding the business overseas?

A: First of all, we are focusing our efforts on improving the quality of the Nursing Care RDP. Then, we are building structures including marketing and research teams, with an eye on the deployment of the Nursing Care RDP overseas centered on Asia.