

Conference Call Q&A (May 20, 2021) – FY2020 Results

Capital Policy and Shareholder Return

Q: What is the background to the accelerated pace of dividend increase in the forecast for the current fiscal year?

A: The dividend forecast for FY2021 is 210 yen per share, an increase of 40 yen. We have tended to continue the policy of increasing the dividend up until now, but with the start of the new medium-term management plan, wanted to show again our stance of emphasizing dividends. We will give the details of the capital / shareholder return policy in the new medium-term management plan at the IR meeting scheduled for May 26.

Q: If making extraordinary provisions to the catastrophic loss reserve, will this have an impact on shareholder returns?

A: Additional provisions for the catastrophic loss reserve are not taken into account in the calculation of adjusted profit, so there will be no impact on shareholder returns.

Q: What are the factors behind the ESR level being lower at the end of March 2021 than at the end of December 2020?

A: ESR at the end of March 2021 was 238%, 6 percentage points lower than at the end of December 2020. The main factors were a reflection of the fiscal year-end dividend and share buybacks based on FY2020 results, and increased risk in the Overseas Insurance Business.

Q: What is the background to the total payout ratio of 50% in FY2020?

A: Capital accumulation for growth investment is behind this. We will give the details of growth investment under the new medium-term management plan at the IR meeting scheduled for May 26.

Q: What is your policy regarding reducing strategic-holding stocks from FY2021 onward? What is the reason for slowing the pace of reductions?

A: Since the establishment of the holding company, strategic-holding stocks have been reduced by 1.2 trillion yen on a market-value basis and roughly 60% on a book-value basis. Although there is no change in our stance on reducing them, the decision was made based on our solid progress in reductions. Furthermore, there has also been no change in our stance of using the surplus capital generated by reducing strategic-holding stocks in growth investment.

Domestic P&C Insurance Business

Q: To what extent do you forecast COVID-19 will impact the Domestic P&C Insurance Business in FY2021?

A: While the impact of COVID-19 will keep the car accidents rate down to a certain extent in FY2021, we forecast less of an impact compared to FY2020.

Q: What are the factors behind the increases of domestic natural disaster budget for FY2021 compared to FY2020?

A: In addition to the impact of the change in the reinsurance scheme, the main reason is the change to include IBNR reserve in the domestic natural catastrophe budget for FY2021. In comparison with the new standard,

this would be an increase of 17 billion yen compared to 67 billion yen in FY2020.

Q: What will Sompo Japan's corporate expense ratio be for FY2021 onward? Will depreciation expenses accompanying the release of the new system continue to increase from now on too?

A: The main reason for the increase in the corporate expense ratio in FY2021 is depreciation expenses associated with the launch of the new system. Although depreciation costs will continue to increase to a certain extent, we expect the expense ratio to decline as the effects of the new system become apparent in stages.

Overseas Insurance Business

Q: What was the impact of the February 2021 Texas cold wave on the loss ratio of Sompo International (SI)? Are there other items that should be focused on as reasons for fluctuations in the loss ratio?

A: The Texas cold wave would have an impact on SI's January–March financial results, so we will give a detailed briefing in the 1QFY2021 results, but we are of the understanding at this point in time that it will not have a significant impact on the full-year forecast. The most noted factor in the fluctuation of the loss ratio is the impact of overseas natural. Taking into account factors such as the growth of the top line, SI's full-year forecast for FY2021 shows about 45 billion yen has been allocated as its overseas natural disaster budget, which is 20 billion yen more than the previous fiscal year.