Conference Call Q&A (November 19, 2021) – 1H FY2021 Results

Capital Policy and Shareholder Return

Q: You have decided to provide a supplementary return. Among the cases for making supplementary returns stated in the shareholder return policy in the Mid-Term Management Plan, which one did you base your decision on?

A: Of the cases for providing the supplementary return stated in the shareholder return policy in the Mid-Term Management Plan, we examined the recent supplementary return in connection with the situation where “it is determined that enhancement of capital efficiency, etc. are needed.” We decided to provide the supplementary return as a result of this examination, given that our capital surplus is expected to stably exceed the level envisaged under the Mid-Term Management Plan.

Q: Is it correct to understand that, aside from this supplementary return, a basic return equivalent to 50% of adjusted consolidated profit will be provided after the close of the accounts for FY2021 on a full-year basis?

A: That is correct.

Q: The partial sale of Palantir shares must have been one of the factors leading to your decision to provide the supplementary return. Is there any change to SOMPO’s alliance relationship with Palantir?

A: Collaboration with Palantir is progressing well including, for instance, joint investment projects. Our relationship has been strengthened at both the top management and ground levels compared with what was at the beginning of the capital alliance.

Domestic P&C Insurance Business

Q: The budget for domestic natural disasters (occurring in FY2021) has been reduced to 73 billion yen. Given the current status of natural disasters, the budget size still seems slightly large. Based on what approach did you review the budget?

A: Net incurred loss from domestic natural disasters in the first six months of FY2021 (for the natural disasters that have occurred in FY2021) was 26.5 billion yen. Our full-year forecast (revised forecast) factors in the impact of snow damage in the same scale as in FY2020, resulting in the domestic natural disaster budget of 73 billion yen (for the natural disasters occurring in FY2021).

Overseas Insurance Business

Q: What is the background of the downward revision to the underwriting profit of Sompo International in the FY2021 full-year forecast (revised forecast)?

A: The revised forecast reflects a USD100-million downward revision to underwriting profit due to the impact of overseas natural disasters such as Hurricane Ida in the United States and floods in Europe. Excluding the impact of natural disasters and COVID-19, the full-year loss ratio of Sompo International (excluding crop insurance) is projected to steadily improve in FY2021 over the previous year. In addition, adjusted profit is expected to grow year on year due to larger revenue and appropriate control of company expenses.

Q: What is your view on the rate environment in 2022 (global trend of rising insurance premiums)?

A: The current rapidly improving rate environment will likely settle down to a degree. However, the rate increases are expected to continue on the basis of all product lines.

Q: With respect to Sompo International's top-line growth, although gross premiums written are forecast to approach the target level in the Mid-Term Management Plan, the growth rate of net premiums written are projected to be relatively small. Under the Mid-Term Management Plan, you intend to raise Sompo International's retention rate (less ceded). Is there any change to this outlook?

A: Sompo International's gross premiums written are expected to grow significantly in FY2021 partly due to the acquisition of Diversified (U.S. Crop insurance company) in December 2020. Meanwhile, Sompo International has ceded many of their policies in force, which has reduced the retention rate on the whole-company basis. Excluding these special factors, Sompo International has been increasing premiums retention and their retention rate has been rising as planned on the back of the improved profitability of the policies in force resulting from the ongoing rate improvement.