

IR Meeting Q&A (May 28, 2019)

Management Strategy/ Numerical Management Targets

Q: Regarding your target of achieving adjusted consolidated profit of ¥300 billion in early 2020s, have you made any changes to the timing of your target and the makeup of your target business portfolio?

A: We have made no changes to our timeframe and target business portfolio. But this expected portfolio could vary with results of major M&As.

Q: What does your Mid-term vision of becoming “A Theme Park for Security, Health and Wellbeing” actually mean?

A: Instead of simply summing up the profit from each business in the Group, the Group as a whole generates added value. More specifically, because we possess large volumes of data mainly collected while providing services as our insurance and nursing care businesses, we intend to utilize the data in order to provide added value across the entire Group.

Q: Regarding your Mid-term goal of the business portfolio, do you factor in results of major M&As in light of your forecasts for rapid profit growth in the Overseas insurance business?

A: We have established the target of our Overseas insurance business based on the optimization of pricing, organic growth driven by synergies within the Group such as AgriSompo and SomPro by harnessing global licenses, and bolt-on acquisitions. No major M&As are factored in the target.

Shareholder Returns

Q: What are the reasons behind the change in a range of total payout ratio? Were there any changes in your appetite for major M&As?

A: We maintain our appetite for major M&As with the discipline. Unfortunately, the opportunities of major M&As could be limited based on high valuations in M&A market for the next two years. Assuming this, ESR will increase by a few percent points every year and approach 250%, which is the upper limit of our target range based on our business plan. Given these situations, we decide to change the range of total payout ratio to the 50%–100% range in order to clarify our stance on enhancing shareholder returns, while taking into account the improvement of capital efficiency if we do not have chance to utilize capital for major M&As. Even if we enhance shareholder returns, we can maintain our financial soundness enough to engage in major M&As while keeping ESR at an appropriate level.

Q: You said that you flexibly determine the amount of shareholder returns. Can you elaborate on this?

A: In contrast to the past, we do not stick to 50% of total payout ratio, but rather, we move it up or down after comprehensively taking into account factors such as annual earnings, ESR level, capital needs, and economic conditions.

Domestic P&C Insurance Business

Q: You mentioned that reinsurance protection costs increased in FY2019. Have you expanded your reinsurance protections for the risk of domestic typhoons?

A: We have effectively expanded our scheme so we can recover more from reinsurance contracts, even if large-scale natural disasters occur frequently like in FY2018.

Q: What are your thoughts on the rate of property insurance and your ceding policy for the medium to long term?

A: Our policy is to properly optimize pricing and reinsurance scheme in light of the frequent natural disasters in recent times.

Q: What are the reasons behind your tie-up with DeNA Co., Ltd. in the car sharing business?

A: We formed an alliance with DeNA because not only they are one of the leaders in the CtoC car sharing business, but their vision aligns perfectly with our direction. In addition to profit growth in the CtoC car sharing business, we intend to establish new customer reach other than the insurance field in response to changes in society.

Q: Do you consider developing products to prepare for penetration of autonomous vehicles?

A: We are implementing various initiatives, but most recently we have been working with Tier IV Inc., the first company to successfully achieve Level4 autonomous driving on public roads in Japan, and 3D mapping experts AISAN TECHNOLOGY CO., LTD. With these partnerships, we are pushing ahead with the development of solutions for Level4 autonomous driving and will develop autonomous driving-related services in the future and expand sales of automobile insurance.

Overseas Insurance Business

Q: Looking at Sompo International's earnings results in FY2018, while premiums for traditional

insurance lines like property insurance have grown sharply, it appears premiums for agricultural insurance have not. Do you see growth prospects for agricultural insurance going forward?

A: North America is the main market for agricultural insurance business, but because it is a mature market, there is a strong correlation between the commodity prices and the growth rate in the overall industry. The overall industry experienced a low growth in FY2018. On the other hand, businesses related to agricultural insurance outside of North America, including AgriSompo, are mostly defined as our specialty lines in the reinsurance business. Through initiatives of AgriSompo, weather derivatives and others, these insurance product lines grew in FY2018, therefore we expect these product lines to grow further going forward.

Q: What is your view on the strong growth potential in emerging markets, mainly in Asia?

A: As for emerging markets, we are integrating our business operations into the retail platform under Sompo International so we can deal with the different business environments of each country, and achieve a high growth by sharing the underwriting skills, talent management skills, and digital technologies.