Y 2020 Earnings Call

Company Participants

- Osamu Nose, Head of Investor Relations and Finance Department

Other Participants

- Futoshi Sasaki, Analyst
- Kazuki Watanabe, Analyst
- Koichi Niwa, Analyst
- Koki Sato, Analyst
- Masao Muraki, Analyst
- Natsumu Tsujino, Analyst
- Wataru Otsuka, Analyst

Presentation

Osamu Nose {BIO 4205216 <GO>}

Ladies and gentlemen, I am Nose, Head of IR. Thank you for calling in today in spite of a busy schedule. I'd like to explain the results of FY 2019 and the business forecast for FY 2020, focusing on numbers.

With regards to the progress of the medium-term management plan, the senior management, including CEO, will explain to the analysts in the web session scheduled next week.

Now please turn to Page 2. Here are the highlights of the results. In FY 2019, we were under the pressure from lower gain on sale of securities due to the rebound from accelerating reduction of strategic holding stocks in FY 2018 and the impairment losses on securities and so on.

We offset these downward pressures by the improvement of the base loss ratio of Sompo Japan and organic growth, mainly driven by overseas. As a result, consolidating ordinary profit was JPY192.4 billion, down JPY6.5 billion. Consolidated net income was JPY122.5 billion, up from the projection we have shown you in November last year.

For FY 2020, we have included the potential impacts that are highly likely and it can be reasonably estimated with high certainty, which amounts to JPY14 billion, while we forecast for consolidated ordinary profit to rise by JPY30.5 billion to JPY223 billion and consolidated net income to be JPY150 billion, up JPY27.4 billion year-on-year.

To supplement the disclosure on shareholders' return we made public today, we have decided to conduct the buyback of JPY35.3 billion, as you can see on the release, which is 60% total return ratio in FY 2019. We have also shown on the financial summary, the projected annual dividend of JPY160 per share for FY 2020, which will make seventh consecutive increase of dividends.

Please turn to Page 4. This page shows the overview of financial results of FY 2019. Let me highlight main points from the next page. Please turn to Page 5. This is underwriting profit of Sompo Japan. Core underwriting profit increased by JPY22.1 billion compared to FY 2018, thanks to a decrease in impact from domestic natural disasters. Core underwriting profit, excluding the impact from natural disasters also outperformed against the November forecast, driven by growth in top line and the improvement of base loss ratio centered on auto insurance, while impacted by the growth in long-term contracts of fire segment, provisioning to underwriting reserve for natural disasters and the impact from consumption tax hike.

Let me add that we have put an extraordinary provision of JPY10 billion at the end of FY 2019 to catastrophic loss reserve.

Please turn to Page 6. Let me next explain consolidated investment profit. The investment profit was down by JPY38.9 billion to JPY150.9 billion due to the rebound of accelerating reduction of strategic-holding stock in FY 2018, impairment losses on securities triggered by the domestic stock market declined towards the end of FY 2019.

Please turn to Page 7. Consolidated ordinary profit. Other than insurance underwriting profit of Sompo Japan and investment profit I have just explained on previous pages, our group companies centered on SI achieved organic growth, and Himawari Life had a steady increase in the number of policies in force. And the nursing care business saw an improvement of occupancy ratio as well as productivity. As a result, consolidated ordinary profit was JPY192.4 billion, limiting the year-on-year decline to JPY6.5 billion.

Next page shows consolidated net income, but factors for the trend are the same as factors for the ordinary profit other than the rebound from gain on sale of fixed assets in FY 2018.

Please turn to Page 9. Let me move on to the forecast for FY 2020. We forecast consolidated ordinary profit to be JPY223 billion, up JPY30.5 billion. Consolidated net income is forecasted at JPY150 billion, up JPY27.4 billion year-on-year.

Let me go through main points for the business forecast for FY 2020 on the following page. Please turn to Page 10. Main points of the guidance for FY 2020. With regards to COVID-19, we have included the initial impacts that can be reasonably estimated with high certainty at this point such as the impact from fluctuation of financial markets. On the other hand, we are projecting underwriting profit to increase mainly due to the normalization of the impact from domestic natural disasters and the rebound of onetime special factors. In other businesses, we are expecting steady growth in base profits.

Please turn to Page 11. Let me elaborate on the impact from COVID-19 on our business in more details. What we have included in the guidance for FY 2020 as the impact from the spread of the novel Coronavirus infection is the amount that can be reasonably estimated with high certainty at this point. Specifically, we have included JPY14 billion impact on consolidated net profit in FY 2020 from decrease in interest and dividends due to financial market deterioration, payment of special allowance to nursing staff and so on.

The spread of novel coronavirus infection is still ongoing. So the potential fluctuation, which may or may not arise, depending upon how the situation unfolds from now on is not included in this guidance. For your information, let me just add that when we simulate various scenarios with certain assumptions, then the impact could range from no additional impact to additional JPY30 billion at the maximum.

Page 12 shows the breakdown of consolidated ordinary profit. Page 13 shows historical progress rates of quarterly results over the past five years, and Page 14 shows numerical management targets based on adjusted profit. Please take a look later on. This completes the explanation of the consolidated results. I will move on to the overview by business segment, starting with domestic P&C.

Please turn to Page 16. Here is the overview of FY 2019 results for Sompo Japan. I will explain each item on this page from the following page. Please turn to Page 17. Net premiums written. Net premiums written has steadily increased by 1.8%, excluding CALI and household earthquake, driven by increase in new policies centered on long-term policies in fire and allied lines and the voluntary automobile line where we have positive contribution from increase in non-fleet unique premium with product and rate revisions in January 2019 and January 2020, respectively.

Please turn to Page 18. This is our loss ratio on earned incurred basis. With the impact of domestic nat cat moderating, the loss ratio improved by 3.9 percentage points. Excluding nat cat, loss ratio deteriorated slightly due to the consumption tax hike. But the underlying loss ratio adjusted for these one-offs improved, mainly led by the auto business.

Loss ratio on written basis is shown on the next page. Please take a look at your convenient time.

Please turn to Page 20. Now to the net expense ratio. Corporate expense ratio is steadily declining, and we will stay on this course for fiscal 2020. Please refer to Page 21 later for a combined ratio, the sum of loss and net expense ratio.

Please turn to Page 22. This is a table on the investment profit. How we did in fiscal 2019 was already explained using Page 6. Excluding the dividend income from Sompo International as it is reconciled when consolidated, the net interest and dividend income was solid, partially thanks to gains from fund redemption.

For FY '20, we expect a certain level of impact on the market volatility cost by the spread of COVID-19 and project investment profit of JPY140 billion. Please refer to the next page for net interest and dividend income, gains on sales of securities, impairment losses and securities for FY '19.

Page 24, please. This is the business forecast for Sompo Japan. Please refer to Page 25 for auto insurance-related data later at your convenience.

Now please turn to Page 26. I'd like to make some additional comments on the state of domestic nat cat. Following fiscal 2018, fiscal 2019 was another year of multiple large-scale natural catastrophes, including Typhoon Hagibis, which resulted in gross incurred loss of JPY390.5 billion. Net incurred loss was JPY93.2 billion, thanks to the recovery from reinsurance and less recurrence of damages from snowstorms. This result was better than the November guidance.

For fiscal 2020, given the trend with the recent natural catastrophes, we increased the nat cat budget by JPY7 billion from the original projection made at the outset of fiscal '19 to JPY60 billion. Please refer to the next page for details on our reserves. This will conclude the domestic P&C part.

Next, let me move on to the overseas insurance business starting from Page 29. This is the overseas insurance business. Adjusted profit for FY '19 was driven mainly by the organic growth for Sompo International and Sigorta, and it grew by JPY17 billion to JPY50.1 billion. For fiscal 2020, we project JPY800 million growth on adjusted profit to JPY51 billion. This is coming off of a steady earnings growth, mainly driven by Sompo International's direct underwriting business. Furthermore, we have also baked in the impact of market volatility caused by COVID-19, low interest rate and stronger yen. On Page 30, you will find the key points for respective entities. So please have a look later.

Please turn to Page 31. Here are some additional data on Sompo International's business. All the figures on this page are in US dollars. Specialty insurance business led the steady growth in increasing the policies, and the top line for FY 2019 outperformed our full year guidance. Although adjusted profit was impacted by higher loss on crop insurance, top line growth and improved loss ratio on the main direct underwriting business in the US resulted in performance that was slightly better than the November guidance.

While fiscal 2020 will be impacted by the market volatility triggered by the spread of COVID-19, we project profit growth driven by steady organic growth, mainly with the direct underwriting business. Please refer to the next page for more numerical data on Sompo International at your convenient time. This will conclude the section on overseas insurance business.

Next, let's move on to the domestic life on Page 34. Now on Himawari Life. We continue to enjoy steady growth on premium income, mainly thanks to the protection-type policies. As a result, net income grew by JPY1.1 billion to JPY16.5 billion. For FY 2020, we project growth on policies in force.

On the next page, you will find the waterfall chart explaining the factors behind the net income growth. We have additional data regarding adjusted profit on Page 36 and detailed information regarding MCEV on Page 37. This will conclude the section on domestic life.

Now let me turn to the nursing care and healthcare business on Page 39. Here are some data on the nursing care and healthcare business. Occupancy rate, which is one of the main KPIs for the nursing care business, improved steadily. Furthermore, we had some cost savings, thanks to enhanced productivity. That said, the FY 2019 adjusted profit for the nursing care business was up by JPY2.1 billion to JPY6.2 billion, which was significantly higher than our November guidance.

For FY 2020, while we have reflected necessary spending to deal with COVID-19, we expect the occupancy rates to continue to improve and project the adjusted profit for nursing care to grow slightly.

Please check Page 40 for the trend on occupancy rate. That's all for the nursing care and healthcare business.

Let me switch the topic to ERM and investment. Please turn to Page 42. This is the state of ESR. Despite the impact of the market volatility stemming from the spread of COVID-19, we benefited from the sales of the business-related stock holdings and reduction in the exposure to foreign-denominated assets at Sompo Japan.

In sum, the ESR at the end of fiscal '19 stayed at a similar level from the end of fiscal '18. There continues to be no issue in terms of soundness. On Page 43, you will find a breakdown of adjusted capital and risk amount.

Now please turn to Page 44. Last but not least, this is our investment portfolio for the whole Group. In the following pages, we have more details on the investment portfolio for Sompo Japan, Sompo International and Himawari Life. All the portfolios are conservatively managed with a focus on stability.

This will conclude my presentation. Thank you very much for your attention.

Questions And Answers

Q - Masao Muraki {BIO 3318668 <GO>}

My name is Muraki from SMBC Nikko Securities. I have two questions. My first question is on the pricing, upward division of the pricing. SI has been dividing [ph] up the prices, the premiums, how is the current situation on the pricing at the moment? And due to the impact from COVID-19, in the commercial line segment, is there any impact on the activities of marketing? For example, for the fire and allied, you have raised the premiums up in Japan, but now you cannot do business negotiations face-to-face with customers, and some customers are struggling with cash flows. But between Japan and the US, is there any difference of the upward premium divisions? And again, related to the division of premiums, how large is the increase of the reinsurance premiums this year versus last year? So that's my first question on the division of the premiums.

A - Osamu Nose {BIO 4205216 <GO>}

Muraki-san, thank you so much for your question. To your first question relating to the division of the premiums up at SI. In 2019, SI increased premiums up more than they assumed originally, they were able to raise the premiums by the low double-digit increase. In the background, as you know, is the hardening of the market. We see the progress of the hardening of the market. That's why for FY 2020, we are assuming the high single-digit division of the premiums is being assumed.

And currently, the situation for the pricing environment is as follows, in the US and in Europe, due to the lockdowns, for the first time, we are having online consultations and negotiations and business meetings, which are not face-to-face. Although there were uncertainties at the beginning, but now we don't see impact or constraint on the activities and of marketing at SI.

And lastly, the premium increase of the reinsurance. For Sompo Japan, the cost of reinsurance is increasing. As before, we cannot disclose the specific amount of magnitude of the rate increase for the reinsurance due to the relationship with reinsurance counterparties. But the magnitude is mid-teens of billions of yen, roughly speaking. I hope I answered your question.

Q - Masao Muraki {BIO 3318668 <GO>}

Thank you so much. My second question is on Page 11. JPY14 billion impact, sorry to ask you for this detailed question. But within JPY14 billion, what is the breakdown? With regards to the exposure of SI in the United States, you have exposures to business interruption and surety insurance lines of Lexon Surety, the firm that you have acquired, they have credit exposure. I'm sure those are the two largest exposures. How large are those two exposures within JPY14 billion? Do they represent quite a large portion within JPY14 billion? And the range from zero to JPY30 billion, this additional potential negative impact, is that due to BI? Is that due to Lexon?

And as the time to the end of COVID becomes longer and longer, is the additional loss or additional negative impact are going to be bigger?

A - Osamu Nose {BIO 4205216 <GO>}

Thank you so much. Let me answer the second question on the impact from COVID-19. We have included JPY14 billion impact in the guidance for FY 2020.

First, for the insurance business overseas. At the moment, impact from the increase in claims to be paid is not included. So as you discussed, BI and surety, for those lines, please look at the right-hand side. This could be the additional potential impact that is not included in the guidance for 2020.

And currently, for BI and surety, depending upon how soon the COVID issue will be contained, there are significant uncertainties. So we are in the process of reviewing the details. But based upon those assumptions, as you see on this page, in the whole Group, the potential additional impact for the whole Group will be zero to maximum JPY30 billion additional impact potentially.

Q - Masao Muraki {BIO 3318668 <GO>}

I'm sorry, my understanding was wrong then. Then could the additional impact be zero, too? Am I right?

A - Osamu Nose {BIO 4205216 <GO>}

Yes, that's right. For the additional impact, it could be no additional impact.

Q - Masao Muraki {BIO 3318668 <GO>}

Understood, understood. Thank you.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

Thank you. This is Tsujino from Mitsubishi UFJ Morgan Stanley. On Slide 11, including the overseas business or even with the net claims payment, the additional impact of COVID-19 could be zero. So in your case, you don't have big cancellation policies or business interruption policies with a big exposure, but I'm assuming that it's a combination of small size, the businesses. But for surety, it's mostly with the licensing businesses. So the nature of your exposure is that it's going to be quite limited in terms of the COVID-19 impact.

So if there are any exposures that you might assume some additional impact from COVID-19, can you elaborate what could be those potential risks?

My second question is about the adjusted underwriting profit in the Japanese business. When I look at the different numbers, for fiscal '19, I think the adjusted underwriting profit was rather small because you had a provisioning for nat cat reserves of JPY20 billion, so it was below JPY100 billion. However, for the new fiscal year, I think you're expecting a recovery to JPY140 billion to JPY150 billion.

And you are not assuming a lot of new provisioning for nat cat reserves, in my view. But there are other companies who are expecting a new provisioning of nat cat reserves this year. Why are you not projecting that for your Company?

And I think last year, you mentioned that you are trying to improve the pretax profit by JPY60 billion over a couple of years. I think part of that is reflected in the projections. Can you elaborate what is included in your forecast?

A - Osamu Nose {BIO 4205216 <GO>}

Thank you, Ms. Tsujino. So on your first question regarding Page 11, on the impact of COVID-19, as you can see from the diagram, the additional impact could be zero to JPY30 billion, and this includes both the positive factors and negative factors. So this additional zero to JPY30 billion is a net of the positive and the negative factors. Also, if positive factors could fully offset the negative factors, the additional impact will be zero.

And if the negative is bigger than positive, then we will see additional impact from COVID-19.

And for SI, the business line, that could be impacted by COVID-19. As we have discussed earlier, for surety, like you said, with the acquisition of Lexon Surety, we have exposure on the surety policies and like you said, it's a license permit, which is not really exposed to the economic fluctuations. So we don't have a major concern over this book. But in terms of the business line, where we could see the potential impact from COVID-19, frankly speaking, we cannot foresee how COVID-19 will be impacting our business at this point. However, looking at the industry and also numbers coming from the other competitors, event cancellation, it's not a big exposure at SI. So we don't have a particular business line which could be exposed to a major loss due to COVID-19. That is our assumption at this point.

And on your second point about the adjusted underwriting profit, the reserves for nat cat in fiscal '19, we made some additional provisioning. So for FY 2020, we believe the impact is going to be close to nil.

For the domestic P&C business, we have measures to build up additional profits. And as we have been discussing, we are working to increase the rate and also optimizing the allocation of our resources to improve the loss ratio. Those are reflected into the current projections.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

So does that mean that the roughly JPY20 billion is included in the projection?

A - Osamu Nose {BIO 4205216 <GO>}

Yes, that is our assumption.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

Thank you very much.

Q - Kazuki Watanabe {BIO 15948747 <GO>}

My name is Watanabe from Daiwa Securities. I have two questions. My first question is on Page 11, impact on COVID-19. On this page, you are showing JPY14 billion downside risk. Differently from other companies, you do not include capital gains or losses in the adjusted profit. How much is the impact on the adjusted profit basis? That's number one.

My second question is on the shareholders' return. You have announced a share buyback program. But for this fiscal year for 2020, are you planning to pay out 50% of adjusted profit of JPY187 billion, which is JPY93.5 billion or more? And you have increased the dividend by JPY10, is there any upside possibility to this dividend amount?

A - Osamu Nose {BIO 4205216 <GO>}

Watanabe-san, thank you so much. To your first question, on Page 11, impact from COVID-19. On the adjusted profit, the potential downside impact, to be honest with you, the assumptions are very soft at this point. Specifically speaking, on the adjusted profit, we don't have the precise figure. And based upon JGAPP, how much will be the impact precisely, we are not in the environment where we can calculate those figures as firm figures. So that's why we are showing the range from zero to additional JPY30 billion. JGAPP, adjusted profit, including everything, we are estimating roughly additional zero to JPY30 billion.

And for 2020, shareholders' return policy, next week, we are going to have the IR meeting, and the top management -- senior management is going to talk about it. So please confirm next week from the senior management.

Q - Kazuki Watanabe {BIO 15948747 <GO>}

Understood. Thank you.

Q - Koki Sato {BIO 19983862 <GO>}

This is Sato from Mizuho Securities. I have two questions, and I will ask one at a time. Sorry for repeating, but again, on Page 11, how we should understand this slide is something that I would like to confirm. So this is the potential increase in the claims payment and also various factors, and if you consider for that, additional impact could be zero. Also, I guess your guidance that you have disclosed is a very optimistic guidance. Is that the right way to understand these numbers?

And within the impact of JPY14 billion, you have the reduction of the interest and dividend income. And also on the right-hand side, you say that there is a potential impact of dividend and interest income coming from the stock holdings. How are these two different? That's my first question.

A - Osamu Nose {BIO 4205216 <GO>}

Thank you, Mr. Sato. So when you asked if our guidance is an optimistic scenario, that is not the case. We have reflected what we can reasonably include. So any negative impact with some high certainties. So those are reflected. And we are also projecting there could be maximum additional JPY30 billion as downside.

So I guess you're saying that this could be perceived as an optimistic scenario because we just give you the downside factor. But we do not see this as an optimistic guidance. This is what we could reasonably disclose to the investment community.

And also on Page 11, regarding the reduction on the net interest and dividend income. On the left-hand side, what is reflected in the projection out of the JPY14 billion, that dividend and interest income decline is coming from the fund. So already, at the end of March, when the fund performance is coming down, and for this fund where we could not potentially expect a recovery, we have included the potential reduction in the net interest income and dividend income, which is shown on the left-hand side.

On the right-hand side, the interest and dividend income decline is mainly coming from the Japanese stock holdings that we own. So if the economic activities in Japan deteriorates, we could see a decline in the dividend income coming from our Japanese domestic holdings.

Q - Koki Sato {BIO 19983862 <GO>}

Thank you. My second question is, Also this time, you have reflected JPY14 billion in the projection. And if you adjust for that, then the adjusted consolidated profit will be JPY200 billion. And about six months ago, you were assuming that the reinsurance cost is going to increase, but you would like to make an effort to achieve JPY205 billion to JPY215 billion. Also this JPY205 billion to JPY215 billion that you were targeting versus what you're projecting, what makes up for the difference?

A - Osamu Nose {BIO 4205216 <GO>}

Thank you for that question. As you pointed out, Mr. Sato, if we did not have the impact of COVID-19, our original projection for fiscal 2020, which was JPY205 billion to JPY215 billion, I think, was something that we were recently able to see, at least on the lower end of this projection. But now we have the impact of COVID-19, so that's why we are giving the projection that is lower than this original guidance.

Q - Koki Sato {BIO 19983862 <GO>}

Well then, in that sense, so six months later now, have you seen any unexpected thing happening, except for the COVID-19 situation, including SI?

A - Osamu Nose {BIO 4205216 <GO>}

We have not seen any deviation from the original impact -- our original projection aside from COVID-19.

Q - Koki Sato {BIO 19983862 <GO>}

Thank you.

Q - Koichi Niwa {BIO 5032649 <GO>}

My name is Niwa from Citigroup. My first question is ESR, Page 42. So I expected the result of your calculation, which does not show a decline from March end. So other companies' ESR is declining, but your ESR is not. So my question is, why has your ESR not declined as much as other companies' ESR? Is that due to the calculation difference? Or are you doing a better job, a good job of managing the operational risks in normal times. What is the reason? That's my number one question.

A - Osamu Nose {BIO 4205216 <GO>}

Mr. Niwa, thank you so much. To your first question about the ESR on Page 42, comparison between us and other companies, I do not know for sure, but here's our take on our level of ESR. We have sold strategic holding stocks. We made a very good progress on that. And from the past, we have lowered exposure to foreign currency denominated assets.

And as I explained at the beginning, we invest in the portfolio that is centered on the safety first. So the credit-related assets are lower in mix. That's why there was not so much or as much impact on ESR compared to other companies.

Q - Koichi Niwa {BIO 5032649 <GO>}

Understood. Thank you. My next question, you may have explained so maybe this overlaps with what you have explained, which is about total payout ratio. The total payout was 60%. Your target is 50% to 100% in the range. You have enough capital. But why have you limited the total payout to 60%? Or why have you paid as much as 60%? How should I interpret in this range of 50% to 100%? Would you please provide me with some color behind 60% for the total payout?

A - Osamu Nose {BIO 4205216 <GO>}

Mr. Niwa, thank you so much. For the second question on the total payout ratio, in the Company, we have discussed based upon the current situation about the level of the total payout. As a result, we concluded on 60% because first, results in FY 2019 were up year-on-year. We were able to achieve increase in the results. In addition, impact from COVID-19 on our business, although there are uncertainties at this point, but at the moment, impact on our business for 2020 is limited.

We are projecting increase in earnings, and we don't need to raise capital. And the ESR level is the level that does not impair the soundness of our business, and we have still buffer for us to use to grow. So we discussed on the liquidity means, including cash that we should have, we always check the liquidity level, and there's no issue with the liquidity level. We can -- we are maintaining the enough level of cash. In the fall, when we revised our guidance downward, we mentioned that JPY128 billion was the floor. If our business result ends up being higher, then we mentioned that we would study the possibility of paying additional return to shareholders, that's why.

Q - Koichi Niwa {BIO 5032649 <GO>}

If you don't mind, I'd like to ask you one additional question. About the buyback, how certain are you to exercise this buyback? As you explained, buyback is done for the results that you have already achieved in the past year. So am I right in understanding that you won't encounter the situation where you cannot fully consume the total budget for the buyback?

A - Osamu Nose {BIO 4205216 <GO>}

About the buyback, your understanding is correct. We have announced the buyback relating to the results we have already achieved in 2019. So the buyback that we decided this time is going to be executed with plan -- as planned.

Q - Koichi Niwa {BIO 5032649 <GO>}

Understood. Thank you so much. I fully understood. Thank you.

Q - Wataru Otsuka {BIO 16340098 <GO>}

Thank you. This is Otsuka from JPMorgan. I want to ask first about the dividend. This year for March 2021, you decided to raise the dividend. Why did you decide to do so?

And I guess, next week, the top management will be talking about the shareholder return policy. But at this point, the two other competitors have not raised their dividend for this fiscal year. So I guess, it's a good news for you to raise the dividend because that's a reflection of how confident you are about the outlook. But as you have been explaining on Page 11, you are also assuming some downside risk. And if you fully reflect that, your business performance from March '21 could be flat over the previous year. But why did you decide to raise the dividend?

A - Osamu Nose {BIO 4205216 <GO>}

Mr. Otsuka, thank you very much for that question. And the reason behind the dividend hike is, as I presented earlier, looking at our financial soundness and also the business performance, at this point, we are not seeing any factors that will be impacting our return policy. And also in the current midterm business plan, our return policy is to continue to raise the dividend. So that's one thing that we state in the midterm business plan. So given the current outlook, we believe that we are still in an environment where we continue to raise the dividend. So that's the reason behind that decision.

Q - Wataru Otsuka {BIO 16340098 <GO>}

Thank you. My second question is very simple and just a facts check. In the fiscal year that just ended, your November guidance, which was revised, was JPY128 billion, but you achieved JPY158 billion of adjusted profit. And I think both in Japan and overseas, versus when you gave out the guidance in November, you overachieved both in domestic and overseas business. Can you explain the reason once again why you were able to outperform the November guidance for both overseas and domestic business?

A - Osamu Nose {BIO 4205216 <GO>}

Yes. So compared to the November guidance, we actually outperformed as a result. And for the domestic P&C business, as I touched upon in the presentation, we were impacted by warm winter, also the damage from the snowstorm was more moderate than expected. Thanks to that factor, and also with the loss ratio on other costs improving, we were able to enjoy that benefit in the domestic P&C business.

And overseas, it was largely pretty much in line with the November guidance, but in the investment profit, we were able to achieve some positive growth. So those are the major items that impacted in the outperformance.

Q - Wataru Otsuka {BIO 16340098 <GO>}

Thank you very much.

Q - Futoshi Sasaki {BIO 17564798 <GO>}

My name is Sasaki from Merrill Lynch. I have two questions on the guidance for this fiscal year. My first question is on the domestic P&C, specifically for the automobile insurance line, your guidance for the profit.

Looking at the current guidance, you're assuming the deterioration of the loss ratio. Since the end of March, the traffic -- considering the traffic situation, I feel like there's an upside to this. But how do you see the current trend? The number of losses reported, claims reported, how is the progress? Or how is the situation for the number of claims reported?

A - Osamu Nose {BIO 4205216 <GO>}

Mr. Sasaki, thank you so much. In the domestic P&C business, automobile insurance loss ratio outlook for FY 2020, thank you for that question. At the moment, please go to Page 18. For 2020, we are assuming the deterioration of the loss ratio. And the reason is because as I explained earlier, warm winter, and that's to be normalized. So rebound deterioration from the warm winter, that's number one.

And as for the situation for the number of claims reported in April, as you indicated correctly, the number of reported claims has decreased by close to 30%.

As I explained when I explained about the impact from COVID-19 on Page 11, on the right-hand side, these are the uncertainty factors, including the automobile insurance line.

So if the loss ratio goes down and in the automobile line, that will be the upside against this factor. But that's uncertain at this point. So we don't know when the COVID-19 will be contained. And is the traffic going to go up in a spike up or no spike up? We don't know. So that's categorized as not so certain items on the right-hand side.

Q - Futoshi Sasaki {BIO 17564798 <GO>}

Understood. Second question is on the overseas business, your top line outlook. For this fiscal year, due to the hardening of the market, you are expecting the increase in the top line. The companies in the whole world are seeing the drastic decline of the top line due to the struggling cash situation. In that environment, you are expecting increase in the top line. So when you revise premiums up, then there should be the fluctuation in the number of policies. So how should I interpret this? What is your assumption behind the top line growth?

A - Osamu Nose {BIO 4205216 <GO>}

Thank you so much. The factors behind the increase of top line in overseas. At the moment, in this fiscal year, as shown on this page, Sompo International gross premiums written, increase of $323 million is assumed.

And as other person asked, for 2020, on average, we are planning to revise the premiums up by about 8%. And as was discussed, many companies around the world are struggling financially in this current circumstance. On the other hand, demand towards insurance is increasing. So due to the lower capacity, the rate is coming up. So that's the impact on the other side.

So we are projecting no impact from any deterioration of the top line in our guidance. But as we pointed out correctly, there are uncertainties. Depending upon how the coronavirus situation unfolds, there may be the impact on the business. So those items are listed on the right-hand side on Page 11 as uncertain items.

Q - Futoshi Sasaki {BIO 17564798 <GO>}

Understood. Thank you so much.