Q3 2013 Earnings Call

Company Participants

- Unidentified Speaker

Other Participants

- Jun Shiota, Analyst
- Masao Muraki, Analyst
- Natsumu Tsujino, Analyst
- Unidentified Participant

Presentation

Unidentified Speaker

(Starts Abruptly) Domestic Non-life is next. Tokio Marine & Nichido Fire Insurance declined in underwriting profit and investment income resulting in ordinary profits decline on JPY62.5 billion year-on-year. I will explain more about Tokio Marine & Nichido Fire in a detail later. Next I would like to talk about domestic life business.

Our Tokio Marine & Nichido Life, ordinary profit increased due to steady increase of interim policies. On the other hand, our financial life, reinsurance cost increased due to partial change in the reinsurance program leading to Domestic Life business over the result in decline in profit.

Next I will talk about overseas subsidiaries. Overseas subsidiaries had increased in ordinary profit by JPY74.9 billion year-on-year due to the action from occurrence of natural catastrophes in fiscal 2011, expansion of underwriting why underwritings are done with discipline and consolidating the gulf line.

Hurricane Sandy which occurred in October 2012 is in the fourth quarter for overseas subsidiaries. Therefore, it will be just at the top of fourth quarter. However, on consolidated accounting data the impact of Hurricane Sandy in financial accounting were JPY22 billion is included in that part of overseas subsidiaries (inaudible) this quarter on consolidated adjustment.

Next I will talk about consolidated adjustment. For a consolidated adjustment of losses owing to natural catastrophe take because of the GAAP in financial year and (inaudible). In the third quarter JPY22 billion of loss was adjusted. However, there is a reaction from less adjustment relating to Thai flood in fiscal year 2011. So overall, adjustment amount is reduced by JPY12.3 billion year-on-year. Also due to the stock market recovery, purchase method adjustment amount was reduced compared to last year.

Let me take this opportunity to explain more about the impact of Hurricane Sandy for fiscal 2012 projections. Please look at the metrics on the lower left. Group wide incurred loss of revised upwards from JPY30 billion, which is the amount we announced at the time of mid-term settlement up to JPY42 billion this time. These were made on top of the JPY4 billion that increased due to yen depreciation, incurred losses widening at Tokio Marine Underwriting Limited mainly for their commercial policies due to progression of loss adjustment.

Next let me explain about the impacts of each business subsidiary projection. Our primary underwriting business expected loss of expanding due to overseas subsidiary such as TMUL but because of intra-group reinsurance arrangement, (inaudible) incurred a loss a result, Tokio Marine & Nichido incurred a loss of revised upwards from JPY10 billion at the time of loss announcement up to JPY20 billion this time. For the JPY10 million which is the quantity paid before the end of the fiscal year, we expect that to be subject to reversal from catastrophe loss reserve and impacts of the Tokio Marine & Nichido's net income is minus JPY6 billion.

The Overseas Subsidiaries incurred a loss of JPY22 billion, net income impact of minus JPY17 billion is expected. As a result, group wide net income impact is projected to be minus JPY23 billion. The impact of the adjusted earnings is shown over the lower left of the slide. Adjusted earnings were not impacted by the catastrophe loss reserve and intra-group reinsurance arrangement is recognized with international businesses covered by loss.

Therefore, the amount of impact should be first from that net income. Specifically, impact of the adjusted earnings of international business is minus JPY24 billion. Tokio Marine & Nichido is minus JPY5 billion driving group wide total impacts to be minus JPY21 billion to the adjusted earnings. Next, let me explain about the quarterly net income.

Please turn to page five. Consolidated quarterly net income was JPY87.3 billion year-on-year increase by JPY107 billion. Tokio Marine & Nichido Fire's ordinary profit declined as I explained earlier. However, there was a reaction from last year when extraordinary losses (inaudible) from providing assistance to a subsidiary in Thai at the time of the Thai flood and deferred tax asset was reduced associated with corporate tax rate is decreased. Net income in Q3 increased by JPY85.1 billion year-on-year serving rest of main region, the net income increased for domestic non-life segment. Overseas subsidiaries also had increase in net income for the same reasons of ordinary profit.

On consolidated adjustments, there are similar adjustments to take place as was done for the ordinary profits. On the other hand, last year, extraordinary loss from providing assistance to Tokio Marine & Nichido subsidiaries have eliminated at consolidated levels, which in a reaction to that this year is a net major negative factor becoming a negative factor for the net income. That concludes the overview of consolidated financial results.

Next I'll explain about the overview of financial results for each of the business domain. Please turn to page six. Let me now explain about the third quarter results for Tokio Marine & Nichido fire insurance company. Right side of the slide lists factors for increase and decrease of operating profit. Upward arrow indicates factors to increase in profit, downward arrow indicates factors to decrease in profit. First is about the underwriting profit. After this point, I will be talking mainly about target insurance, but please also refer to target insurance part of the major P&L items on the left of the slide.

And now I will explain about the major factor. Net premiums written for auto insurance continue to increase and thanks to rate revision effects and effects of our alliance with Meiji Yasuda Life Insurance Company. Business remains brisk on other line and net premiums written increased by JPY50.2 billion.

Next is net incurred loss. I'd like to explain this by (inaudible). First is natural catastrophe related incurred loss. Last fiscal year, net incurred loss was JPY98.3 billion due to title number 12 and title number 15 on top of the slide. This fiscal year, we saw occurrence of marked low pressure entitled number 4, our Typhoon Guchol from the beginning of the year as well as received impact from Hurricane Sandy, but net incurred loss was JPY59.6 billion year-on-year declined by JPY38.5 billion.

Next I will explain about foreign exchange impact. Last fiscal year saw a progression with yen appreciation by JPY5 from the beginning of the year while at this year, yen depreciated by JPY4 which is yen depreciation by JPY9 last fiscal year. As a result, provision for reserves for foreign currency denominated outstanding claims increased by approximately JPY18.90 billion which is a factor of increase in incurred loss. Other than that, medium-to-large accidents in fire insurance increased more than the developed underwriting expanding in every line and loss adjustment expense increased for new claims service system leading to increase in incurred loss increase by JPY22 billion year-on-year, despite the fact that natural catastrophe occurrence was less this year than last year.

Next, let me explain about the CapEx of loss reserves. First fiscal year have less provisioning for CapEx of loss reserve due to the provision of claim statement for the Great East Japan Earthquake this fiscal year due to the reaction from last fiscal year. There is no publicity to do more by JPY38.9 billion. As a result, for this fiscal year, underwriting profit came to be JPY4.4 billion, which is a decline by JPY14.1 billion year-on-year. And the loss ratio on the Earned to Incurred basis also included in the general criteria for the record [ph], adjacent at the bottom left the loss ratio on Earned to Incurred basis increased by 6 points to 68.0% primarily because as we discussed before, what is incurred by natural catastrophes decreased.

Next, let me explain the loss ratio of the private insurance on an earned incurred basis. There is no notable change in the situations around private insurance business since the second quarter. As we communicated before, during the second quarter, the insurance claim per policy for property and business annuity is going up. During the third quarter, the insurance claim per policy to cover property and business continue to go up, while frequency of accidents stayed flat around the year.

Since products and rate revisions resulted in a growing of premiums written, as a result the loss ratio on earned incurred basis increased by 0.3 points to 70.3%.

Now, let us go back to P&L and review our investment income. Investment income declined by JPY33.7 billion year-on-year to JPY104.7 billion yen. Gains on sales of security dropped since sales volume of business related equities were smaller. Gains on derivatives also dropped due to a depreciation of Japanese Yen and from the data on investment gains and losses due to certain items we will discuss later.

The company's underwriting profit and investment income declined, ordinary profit dropped by JPY60.1 billion year-on-year to JPY104.5 billion, however, as explained earlier, because of the extraordinary gains as well as tax rate reduction, net income increased by JPY18.1 billion to JPY76.5 billion. (inaudible) On page seven and eight, we have included new information on combined ratio on the written paid basis and a follow-up to breakdown of net premiums written, which will be explained later.

Next, please go to page nine to review the third quarter results of Nichido Fire. Nichido Fire increased underwriting profit by JPY2.7 billion to JPY300 million. Net premiums written increased and business expenses were reduced. Reversal from the cat loss reserves also increased.

Meanwhile, investment income declined by JPY3.5 billion to JPY1.4 billion, primarily due to smaller gains in sales of business related equities.

In addition to the factors that I just mentioned, it is also notable that last year, we did not have to reduce deferred tax assets in conjunction with the corporate tax rate in the fiscal year. As a result, net income increased by JPY5.8 billion year-on-year to JPY0.5 billion.

Next, please turn to page 10 to discuss ANP and key figures. Within the slide, let me start with ANP. As we see in the slide, which shows the trends of ANP, the company maintained steady growth from the second quarter. In the medical and insurance policy, ANP of new business declined by 4.5% year-on-year since the new product effects of Medical Kit which we launched last year went forward. However, due to the strong sales of first-sector products such as business insurance and as well as individual annuities, ANP of new business in total increased by 27.9%. In-force income increased by 9.0% from the integral, or by 7.3% from the end of the last fiscal year, reflecting a steady growth of the business.

For the other numbers, insurance premiums and other increased by JPY36.6 billion year-on-year to JPY398.6 billion, thanks to the steady growth of in-force book.

Net income increased by JPY9.6 billion to JPY13.2 billion, thanks to the top line growth and the -- deferred tax assets reduction in conjunction with the corporate tax rate reduction in our fiscal year.

Next, I will walk you through our international insurance business. Please go to page 11. Following our usual method, I will explain the performance of our international insurance business, I'm referring to the graph of total number, including the contributions from all the business, equity method as well as companies that are not affiliated to our group.

Net premiums written increased by 29% year-on-year to JPY496.2 billion, this is thanks to the consolidation of Delphi, which was not in the consolidated to book as well as the organic growth of our existing operations. Let's move to performance down by each business.

Philadelphia performed well in both new business acquisition and new policies. As a result, we over achieved the market average (inaudible) revenue by 11% year-on-year grew both (inaudible). Since they were newly consolidated to our group for fiscal year, we're not indicating year-over-year change, but on the local accounting basis, we grew the top line by approximately 10%, TM grew its revenue through marine and property management business, which is also expected to increase rate in the reinsurance business, their revenue grew by 26% year-on-year.

Our Tokio operations in Asia grew their top line by 25% year-on-year. There is a new contribution from our current non-life operations increased as we increased exporting of the operation also in India, Thailand and Malaysia risen by economic growth of these countries include our business particularly in the personal auto insurance business.

In the new insurance business, grew a top line by 24% year-on-year on expanded basis in other types of natural cat business and their branch office in Australia and Switzerland expanded their underwriting activities.

Please go to page 12 to review our adjusted earnings. Our adjusted earnings increased by JPY83.1 billion year-on-year to JPY51.6 billion losses incurred by natural cat events that we suffered from during the last fiscal year just appeared in order to increase top line are also working and also are really contributing to our total performance. Please note that losses incurred by Hurricane Sandy are now reflected in the adjusted earnings for the third quarter will be the recognized as losses in the fourth quarter.

Lastly, I will explain to you the revisions that we made to our full-year guidance on Page 14. When we announced the financial performance of the second quarter, we also disclosed the full-year guidance based on the market environment as of end of the September, 2012. Since then, as we experienced the depreciation of Japanese Yen as well as the stock market we need to look at our projections based on the marketing environment as of the end of December 2012.

Main factors including the reserves are indicated on the slide, but we have made an upward revision to the projection of total (inaudible) because investment income is expected to include more of the decline we are expecting underlining profit. Profit of Tokio Marine & Nichido Fire increased upwardly due to the improvement the investment environment because I think for underwriting reserves are expected to become smaller. We also made an upward revision to the project guidance for international insurance business as loss encouraged by Hurricane Sandy has increased due to weaker Japanese Yen, our revenue is expected to increase. As a result, we made an upward revision to our ordinary profit projection by JPY25 billion to JPY170 billion due to the previous result. Net income is now projected to be JPY110 billion, up by JPY20 billion from our previous projection.

Please go to page 15 to look at the projections for the year. We made a downward revision to the underwriting profit projection by JPY17 billion because the provision for reserves for denominated foreign currencies will increase due to the falling Japanese Yen, in relation to the impact of Hurricane Sandy. Meanwhile, we had an upward revision to investment income at JPY22 billion, primarily due to the recovery of valuation securities as well as (inaudible). As a result, ordinary profit projection is revised upwards by JPY5 billion to JPY182 billion.

Next, please go to page 16 to look at the projection of adjusted earnings in our international insurance business. We made an upward revision to the projection of adjusted earnings by JPY3 billion to JPY50 billion as well as the losses incurred by Hurricane Sandy have increased, weaker Japanese Yen is a powerful factor here, and underwriting performance of our operation, including Philadelphia have been good.

This concludes my presentation. I'm happy to entertain any questions you may have.

Questions And Answers

Operator

Now, we would like to get into Q&A. (Operator Instructions) Our first question is from Muraki from Deutsche Securities.

Q - Masao Muraki {BIO 3318668 <GO>}

Thank you for the opportunity. First of all, I have a question about the auto insurance. In the third quarter, in the three months of the third quarter, the claims reported growth compared to the first half, seems to be increase in terms of growth rate. However, in frequency, it has not changed much. Therefore, as you mentioned in the third quarter, I believe there is that one-off factor coming from the small effect. Let me confirm if I'm correct.

The second question is about the securities sale. Excluding preferred securities, the sales of the ordinary share fell in the first half, it was about JPY15 billion yen, from October to December, in the three months, it was JPY32 billion yen and then from January to March, projection is JPY27 billion. So I believe these are the actual as well as projected sales amount of ordinary securities. Am I correct? Those are my questions. Thank you.

A - Unidentified Speaker

Thank you for the question. So we did receive two questions from you. I'd like to answer them one by one.

First question, compared to the medium-term timing, the claims of the accident haven't changed much. And in the first half in 2011, in the first half, there was a free flow that was introduced and then that things have decreased this year. However, in the third quarter, with lack of that, it seems like they have increased a little. And so, compared -- so for the April to October, it is flattish.

Meanwhile the first point, so there is no damage -- there is no damage, not a big factor so far. And for this no damage, as we pointed out October to January, we did have a lot of deals even in the region. But for the damage amount, it was several billion yen and even factoring in that much damage, the overall point level is within what we have expected for the final one. That concludes my answer.

Thank you. There was another question, we couldn't answer the second question. I will continue.

Q - Masao Muraki {BIO 3318668 <GO>}

This is about details of the ordinary shares, excluding preferred share and a detailed amount, including preferred shares was over JPY30 billion and the amount was about JPY16 billion. So 16 billion, so the ordinary sales for the first half of the year, yes, and after that, after the third quarter, the amount was 63 minus 16. So it becomes 47 on cumulative basis, that's -- 37 billion is the amount we have sold up to the end of the third quarter excluding preferred share sales, for the ordinary shares only? So that means within the three-month from the third quarter, we have sold JPY29 billion. Is that correct?

A - Unidentified Speaker

I believe that's a rough number, and yeah, that's roughly correct. And that part of the projections we are announcing is meant with yen which includes preferred securities. So if you exclude the preferred securities, we can estimate the amount of ordinary shares also take place in the fourth quarter.

So that means in the third quarter, it was JPY31 billion, it was not including JPY1 billion for the third quarter. So next quarter is going to be less than what we have sold in the third quarter and that we are extracting for the fourth quarter of this year.

Looking back to stock market, it's rising quite strongly. When we made the revised projections, we did make some upward revision to the numbers so that securities sales, and I assume that to take place. So the sell down of business related equities we were expecting of JPY50 billion at the beginning of the year.

On the other hand, for the medium-term management plan, we were planning for about JPY100 billion each year for the three years in Japan. Therefore, obviously when market price goes up, the amount may be spend on but for the medium-term, we will still aim to achieve the targets that we have announced in the medium-term.

Operator

Next question?

Q - Unidentified Participant

Thank you very much for this opportunity. I would like to ask you two questions. Number one related to your domestic business. For the revenue shares on the revenue -- in the third quarter I think that the combined ratio 57. -- 97.5% is expected to go up to 99.5% on a full-year basis. I think that this could be partly because of the payments related to Sandy [ph], is that right or is there any other different factors that you have included here? And what is your expected loss ratio in the fourth quarter, what is your accounting behind that as well? That is my first question. And second is related to your international business. Looking at the top line growth of your international business, given on a local currency basis, I believe that (inaudible) think the insurance to be growing our international business quite well, particularly perhaps in the Asian business as well as in the reinsurance business.

Additionally in fiscal 2014, we are targeting to achieve the adjusted earnings to JPY100 billion, which I think is a very ambitious target but in achieving this target under the reinsurance, how do you address where you at the moment? Do you think that you are on track or do you see something different from what you originally see? That is my second question.

A - Unidentified Speaker

Let me answer your first question. On myself I'm actually from the Corporate Accounting, I will try to answer that. With regard to Sandy, currently, we have not changed our estimated number and we expect to pay the amount on the full year basis, that it doesn't occur with (inaudible) JPY10 billion originally and we have revised it up to 21 volume.

Then in terms of losses incurred, however in terms of amounts we paid we take the original estimation of JPY10 billion and combined ratio on the other hand expected to go up on the full-year basis. Excluding the impact of Hurricane Sandy, there were other natural catastrophes for which we are planning to pay some claims. And that is expected to be a bigger factor behind the expected increase of the combined ratio.

Does that answer your question?

Q - Unidentified Participant

Are you perhaps expecting to increase the amount of paid by (inaudible) perhaps not a 20%, again JPY400 million is getting paid?

A - Unidentified Speaker

Are you trying to compare the first quarter to the actual? Well, I was just wondering how much losses we are expecting to see in the fourth quarter. In the third quarter, JPY5 billion was included in the third quarter already and we are expecting to see JPY5 billion in the fourth quarter than JPY5 billion in third quarter of 2012, and there are other claims that we have related to time swaps and if I repeat, the operation in this business is going to go up. And so we are not expecting to see a major change in the business. Finally, I'm not really sure of this, but the marketing order insurance that you mentioned earlier, the frequency has been flat and unit cost or the claim per policy has been slightly increasing. And we expect that to continue in the fourth quarter and therefore, we have not seen anything in particular, especially in the fourth quarter. On our international business planning, top line growth of our international business was flat.

In fiscal year 2013, which is the final year under the mid-term plan, as mentioned earlier, we are trying to achieve more than JPY100 billion. And in order to achieve that target, we are planning to achieve JPY200 billion through organic growth at a top line level and there will be a top line contribution from Delphi and therefore, ultimately, this should be safe to assume. That is what we currently see under the plan.

And against this plan, how are we managing this, we are excited to say that we are returning on track to reach this target.

And in order to support organic growth, we are taking creative measures and we will also continue to carefully monitor how we are doing against the plan. And we also want to share that we will then quickly just focus on top line growth. We are carefully once again monitoring it. Thank you.

Operator

We will like to take the next question from Ms. Tsujino of JPMorgan. Tsujino, please go ahead.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

It's now part of the presentation, but I was looking at the supplementary document before the telephone conference which is (inaudible) Tokio Marine, we are seeing Tokio Marine, et cetera and the international business, and then for the full-year forecast, it was 57.1, but it was up to JPY61.9 billion. And last time the Hurricane Sandy was included and it's also included this time, it' still 69.9. And then this is a variance by positive JPY12.8 billion. And so you are expecting JPY12.8 billion more even including Sandy. And yen depreciation I am sure is there by several billion yen. But this is a major improvement so I'd like to know what's happening in this part and is this still sustainable?

A - Unidentified Speaker

My name is (inaudible) from Corporate Accounting. In the supplement or document for the telephone conference, the actual versus the projections, how we include the number to quarterly difference between the two.

That's what we are showing them in the sheet. For the actual number to the overseas subsidiaries profit being combined together is the actual number where actually the projection, the interest and dividend payment in between the overseas subsidiaries have been eliminated.

So the mixed number is shown for the projection. Therefore, for the income holding companies in the international business, they receive dividend payments from the subsidiaries, which is about a little over JPY10 billion and that has been inflated to be part of the projection.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

For the projections you are including that? Or are you eliminating that, you're eliminating that right?

A - Unidentified Speaker

In the projections, we are eliminating that. And then I am saying that since November 19 to to-date announcement that has increased by JPY12.8 billion and I would like to know the reasons for the increase in the projections for the overseas subsidiaries. The reasons for the increase in the projections is the incurred loss which is about JPY2 billion, and then the FX impact is about several billion yen, which is set up for the revision factor and then after the third quarter, we will have across seven billion yen.

So it can negative 2 billion right? And then FX and the actual is included on the cumulative basis. So what part of the overseas subsidiary target structure to be the size of the FX impact. Which business is doing well?

Q - Natsumu Tsujino {BIO 2234779 <GO>}

Each of the businesses that we've outside of Japan, North America or each business we have in North America is doing well. So, there seem to be the same level going forward for Hawaii, because the U.S. market is improving now for, I believe it's coming from one impacting. Do you believe that this situation can continue going forward or do you think you are simply lucky this full year? Just add some color to your answer?

A - Unidentified Speaker

My name is Nagona from international business planning. We did repeat a question on the supplemental material for the conference call. And the effort that we've made on this achieved. Previously, Mr. Takaaki explained about the Sandy impact. The Sandy impact, because of the intra-group trade, TMNF. The reinsurance arrangement which was made within the group was several billion yen and that reinsurance arrangement within the group is big at Tokio Marine & Nichido. So that means for every subsidiary member, this metric appears to be better.

On the other hand, on an adjusted earnings basis, it belongs to each of business subsidiary. So, as Takaaki explained that, the adjusted earnings will always be for subsidiary (inaudible). So we are looking at the same number, but where that scope was the allocation of the property life, remember it was a little bit different. And the development of the Sandy loss, it started to be a negative factor, (inaudible) elsewhere. And you asked me whether is that trend sustainable. Very quickly, yen -- appreciation is about JPY4 billion and a depreciation impacted about JPY4 billion on an adjusted earnings basis and other than that, Delphi being through existing businesses, expanding our ordinary and resulting in the (inaudible) At each local market, they are closing their account, so we are looking at third quarter situation and the most recent situation. And we are trying to sum up the numbers at each subsidiaries. As it was mentioned, in the North American business and also reinsurance business basis and also our key business subsidiaries is in the primary underwriting business, are trying to determine their products grow and as the decline in the market is increasing.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

Okay, thank you. My other question. The auto recently (inaudible) payment is going up. And we are excluding that count. I believe the 12 billion in the data package and looking at stock, so you did throw the numbers because of the tertiary methods, is it like projecting near-term increase in the number?

So considering the most recent situation I know this is difficult for you to say but where would you be trending to for the E/I loss ratio excluding that count, compared to 2011, how would that be for the end of the fiscal 2012? Should I expect a flattish or kind of something else?

A - Unidentified Speaker

(inaudible) from the personal products, the E to I loss ratio trends -- the cranes cost trend is moving in line with expectation, so we believe that compared to 2011 we are still expecting some improvement that forecast to be our projections. Second one is, in the trade cost the systems renewal cost is going to remain in the second half, so is that going to become an upward factor, but even including that we think we will still improve on the E to I loss ratio or will be flattish. For the loss adjustment cost, including the loss adjustment cost, we are still expecting improvement in the loss ratio.

Operator

Our next question is from Mr. Shiota from Daiwa Securities.

Q - Jun Shiota {BIO 4127431 <GO>}

I only have actually two questions on services. I had an assumption behind the guidance. You have included currency as well as assumptions and the currency trends are changing, in terms of the currency impacts in previous conference calls as well, the Japanese Yen falling, depreciation. I think that it's going to target 35 billion to 36 billion worth of negative impact by any mutual agreement, is that correct? And the stock market has also been developing, and so are you able to essentially offset or recover a negative impact coming from the forex change?

A - Unidentified Speaker

So as we look ahead to the future for the full-year guidance, given that the currency as well as the market has been changing furthermore with the performance and on 316, and in terms of the business ratio, as stated the previous time, I think that (inaudible) because we're going to work on further reduction of expenses. And we have to introduce the product for a short span, and once again, we think that we will be able to continue to reduce the expense in the full-year as well.

Q - Jun Shiota {BIO 4127431 <GO>}

Yes. On your first question, (inaudible). As you correctly pointed out, the Japanese Yen is -- we suffered from a negative impact. Could you give some numbers?

A - Unidentified Speaker

First of all, as we have mentioned, we have costs in foreign currency and there will be a negative -- and the revenues on our future contracts, about JPY700 billion negative impact on before tax basis. And also outside Japan, we have subsidiaries and they're confident. With a weaker Japanese Yen, it's rather going to be tough, but it's going to improve. And therefore, that is going to be faster. And I think it's going to be profit after the JPY100 million and looking at the current marketing, JPY1 million rather. I'll correctly make JPY11,300 and currently was in terms of the P&L we have finalized the numbers as at end of December. And therefore, we will not be affected by the foreign currency market. And so it is essentially the bigger (inaudible) And there will be about other than that (inaudible) ultimately. And when it comes to flooring [ph], the stock market on the other hand, from the end of December last year, the stock market has gone up by about 10% or so. And of course therefore we see the securities and at the same time, losses in securities is also expected to be recovered.

And in addition to that, particularly in financial life, on the full-year guidance, we are trying to make some addition provision to the (inaudible). However, the company that we involve that's been improving. We will be able to (inaudible) and therefore, as a result, weaker Japanese yen, there will be a negative impact however, and we will be able to pretty much offset that with the soft market. Is that a clear question?

in much of that box markets that are providing in stock market in currently your question.

(inaudible) reduction of the numbers you got from insurance we are planning to increase it by about JPY6 billion. And we continue to reduce these expense further more going forward.

Well, we expect the expenses to turnaround and we are not planning to -- we are not planning to push forward kind of the reductions that we were originally bound to make. And so we don't know how the numbers are going to be for next fiscal year, however, as far as expense reduction may concern we are working on that earnestly. So we believe that we will reduce our expenses.

Q - Jun Shiota {BIO 4127431 <GO>}

The 64 million that you mentioned earlier, is what the gap between original plan and the current plan you have?

A - Unidentified Speaker

From 19 of November we announced that trend, and then from that number we are going to increase by JPY6 billion.

Operator

The next question will be from Wataru Otsuka [ph] of Nomura Securities.

Q - Unidentified Participant

I have two brief questions. The first question is about economic solvency ratio, as of the end of December, what is the number that you have it, let me know. As you develop, you can tell me the sensitivity for average, you said there is an insolvency ratio, it grows up by 12%. Is that sensitivity still viable? My first question.

And the second question is that you did make an affidavit in to your full-year projection. On BML, it was JPY110 billion, on an adjusted earnings basis. Does it get revised for the same amount as what you show for the P&L of that region?

A - Unidentified Speaker

To answer your first question, the economic solvency ratio is only announced at the interim and year-end. We do not disclose it at the end of December, however, the sensitivity which you said, which is -- the average comes to 4%, both plus or minus is sensitivity. Does it answer your first question? Yes. Thank you.

As to your second question about adjusted earnings, impact to adjusted earnings, for the overseas insurance business, as we show at the very end of the presentation material, you can refer to that. For the overseas insurance business, it's plus JPY3 billion compared to the previous. And therefore, the adjusted earnings, this is also something we also show twice a year. However, to Tokio Marine, they needed to go higher, be comfortable, the improvement was very large. And that does not get reflected on the adjusted earnings. Therefore, that does not depend on the factor. However, the FX impact, the adjustment for the foreign currency is 1 million and also the foreign currency derivative targeted now to be (inaudible). That's been reflected on to the adjusted earnings.

So for Tokio Marine, we need to go to a high insurance company, these are negative factors for the adjusted earnings projection.

For the life insurance business, we are still looking to that. But we cannot share with you today financial wise, that's the individual division for the projection.

Q - Unidentified Participant

Thank you.

Operator

Our next question is from (inaudible) Morgan Stanley Securities.

Q - Unidentified Participant

Let me ask you one question, with regards dividend and share buyback, have you changed your figures yet?

A - Unidentified Speaker

We have change in stock market and we have accordingly reviewed our performance, but as we announced in the interim results we have not changed our policy since then, of course the stock prices have been going up with (inaudible). But looking at EXR, the sensitivity has remained unchanged.

And therefore rather than looking at and reviewing policy shortly this time, we will review a copy at this time. And also with regards to dividend, as mentioned, we are out of the fiscal year, we are planning to increase dividend by 10% and this trend has also remained unchanged. Thank you.

Operator

There seems to be no questions. (Operator Instructions) There seems to be no questions at this point.

A - Unidentified Speaker

Then we would now like to conclude the teleconference for third quarter of this financial year. Thank you very much for you participation today.

Operator

This concludes Tokio Marine Holdings fiscal year 2012 third quarter financial results teleconference. Once again, thank you very much for your participation.