Tokio Marine Holdings Inc Business Strategy Presentation

Company Participants

- Hirokazu Fujita, Senior MD, Group CIO & Director
- Makoto Okada, Executive VP, Director, Group Chief Strategy & Synergy Officer and Group Chief Digital Officer
- Satoru Komiya, Sr. Managing Executive Officer, Sr. MD, Co
- Shingo Kawaguchi, Managing Executive Officer, MD & Director
- Shinichi Hirose, President OF Tokio Marine & Nichido Fire Insurance Co
- Taizou Ishiguro, Group Leader of Corporate Communications & IR Group
- Takayuki Yuasa, Executive VP, Group CFO & Representative Director
- Tsuyoshi Nagano, President, Group CEO, Group Chief Culture Officer & Director

Other Participants

- Futoshi Sasaki, Research Analyst
- Kazuki Watanabe, Research Analyst
- Koki Sato, Senior Analyst
- Masao Muraki, Director and Senior Analyst
- Tatsuo Majima, Senior Analyst
- Unidentified Participant, Analyst
- Wataru Otsuka, Analyst

Presentation

Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) Good afternoon, ladies and gentlemen. Thank you for coming to the earnings briefing for the first half of fiscal year 2019. I'd like to extend our appreciation for your support to the company.

Earnings result for fiscal year 2018 was announced last week. And today, I not only will take you through our short-term performance. But I'd like to also focus on the long-term business strategy to improve our corporate value. We will take questions in the latter half as much as time allows.

Now without further ado, please turn to the handout. Please turn to Page 3. Our goal is to be leading global insurer delivering significant value to all our stakeholders. This slide shows the capital cycle to realize the goal.

Based on organic growth of businesses in and outside of Japan, we will revisit our portfolio strategy to create and generate capital. We sold TMR last fiscal year. Capital that is generated, in turn, will be used for business investment such as M&A. Of course, we will make sure we are well disciplined in our approach towards business investment. And we will return to our shareholders if there are no good deals. While this is very simple, we have -- thus far have been improving our corporate value by running this capital cycle. Going forward, by ensuring this discipline in our approach, we believe that we will be able to achieve stable double-digit ROE and realize shareholder return as we set forth towards our midterm goal.

Please turn to Page 4. The characteristic of our business is shown on the left-hand side graph. It looks like a crocodile's mouth. The crocodile's mouth that you see on Slide four shows that we have been diversifying our portfolio geographically. And also, in terms of business, we have been able to see sustainable growth while appropriately controlling risks. On the right-hand side of the slide, you will see the measures that each businesses implement to diversify risk. We can see that the impact of diversification is steadily increasing.

Please turn to Page 5. Here, you will see the outcome of our initiatives as explained in the previous slide and gives you our track record. EPS growth rate for the recent five years is plus 4.3%, which compares favorably to our peers. Since fiscal year 2018 was the year which we had record-high level of natural disasters, for your reference, we include in the CAGR up to fiscal year 2017 which was a plus of 5.7%.

Please turn to Page 6. This track record is recognized to a certain extent by the capital market, as you see on Page 6. Our total shareholders' return ever since the establishment of the holdings company in 2002 or for the last few years for that matter, highly exceeds our peers in the market. Two, this track record demonstrates that our business strategy has been in the right direction. However, we are not totally satisfied being at this level.

Please turn to next page, Page 7. Here, you will find our current midterm management plan target as well as future group vision. Achieving our 2020 target of adjusted net income of JPY 400 billion to JPY 450 billion and adjusted ROE of not less than 10% and eventually adjusted net income of above JPY 500 billion and adjusted ROE around 12% are to be steadily achieved. Towards our midterm goal, we will gradually increase our dividend payout ratio to a level that is on par with our global peers, which is currently around 50%, implementing capital-level adjustment with discipline. This is how we believe that we will be able to further increase confidence from our investors.

Please turn to Page 8. Our current track record is shown on Page 8. Adjusted net income, adjusted ROE and shareholder return are all making good progress.

Next, I'd like to take you through our organic growth strategy of our main business that will be the foundation of capital creation. Please turn to Page 9. The characteristic of our business model is that we have the domestic markets generating stable and sustainable profit, on top of which profit from the North American specialty business unaffected by market conditions are added. And further capture market growth in emerging markets such as Brazil and Asia. Profit split between domestic and international is already half-half. We have established a well-diversified global portfolio.

Page 10 gives you an illustration of the strength of our business model from an ROE quantitative perspective. 5-year average ROE is on the horizontal axis. And the further right you go, ROE is higher. ROE standard deviation and volatility is on the vertical axis. The lower you go, higher the volatility. Our company and peers are plotted in the graph.

While the company is currently plotted on the above right of the 4 quadrant, 10 years ago, in other words, before the large-scale M&As in Europe and in the United States, we were in the above left of the 4 quadrant. Back then, our business had been primarily domestic. And while catastrophe loss reserves stabilized volatility, our ROE was at a 2% level.

In the following five years, we acquired Kiln, Philadelphia and Delphi, thereby our ROE increased. But the diversification effort was not yet complete. And combined with Thai flooding and the Great East Japan Earthquake, volatility was still at a high level. After that, we acquired HCC and engaged in bolt-on type M&As, further diversifying our business portfolio. As a result, in the recent five years, the level of ROE has heightened, has stabilized at a high level; and we now find ourselves in the above-right quadrant. The ROE level of the company is approaching our peers. And towards the midterm goal, we will strive to increase this further.

Please turn to Page 11. Next is Domestic non-life business. Graph on the left shows how we have outperformed the market growth and stably increased our market share. Graph on the right shows how the company is positioned strongly in terms of business efficiency as well. People and technology will be integrated in order to reduce workloads by 20% to 30% in the long term to further achieve higher efficiency.

Next is Page 12, on auto insurance. Auto insurance is an important line of business for Domestic non-life insurance. And top line growth is achieved every year. The reason for this is shown on the right. Number of policies for the company outperform the market. And the policy premiums, while impacted by the rate cuts, is also growing. As for bottom line, there was a time in the past when combined ratio was above 100%. But by continuously implementing profit improvement measures, we are now able to ensure stable profit.

When we talk of the future of the auto insurance market, some investors express concerns of the market shrinking. Car ownership is still increasing. And we believe earnings can be maintained for some time. Having said that, however, decline in population, sharing economy and autonomous driving could impact the market to shrink over a very long period of time. While we buy time, we intend to grow in the lines other than auto insurance. This is one of the strategy of the company.

Please turn to Page 13. As shown on the left, the penetration rate of specialty insurance in Japan is still low compared to the Western markets, which means that there is good potential for growth. As the penetration rate is particularly low at SMEs, we are partnering with 3 chambers of commerces so as to expand the specialty line.

Moreover, last fiscal year was a year of frequent natural catastrophes at historical levels. The profitability improvement of fire insurance is thus one of the management challenges. And we have decided to increase rates this year, in October. The expected profitability improvement by the rent (sic) (rate) increase, as shown on the right, will be about JPY 15 billion. And we will aim to improve ROR continuously in the future by implementing measures.

The strategy for the Domestic life business is shown on Page 14. As you can see on the left-hand side graph, the speed of growth at TMNL has been one of the fastest in the industry. Although a low interest rate environment persists at the moment, as you can see on the right-hand side of the slide, we worked on transforming the portfolio composition from savings-type products to protection-type products. And new business margin has increased despite the low rate environment as a result. By focusing on protection-type products that are unique to TMNL, we will aim to control interest rate risk appropriately and realize steady profit growth under a low rate environment.

Next, I'd like to talk about the international business. Please turn to Page 15. I'll cover strategies for the developed markets first. Our company is already in the top 10 in the U.S. market in the commercial area, driven by Philadelphia, Delphi and TMHCC. We also have established a market presence as a top player in the specialty insurance segment. As shown at the bottom, by specializing in specialty insurance, we will aim to have a defensive business with growth and profitability that outperforms the market. We believe that we can continue to grow by reinforcing our strengths.

On the next page, on Page 16, the strategies for emerging countries are shown. You can see that for emerging countries, too, we've been taking measures mainly on regions that have large markets with high growth potential. Last fiscal year, we acquired Safety in Thailand and made business investments into Hollard in South Africa. Going forward, we will continue to capture the high growth coming from these emerging countries and further engage in geographical diversification.

I'll now talk about our M&A strategy. Please turn to Page 17. This page shows our M&A track record overseas. Since the year 2000, we started to enter the reinsurance business and non-Japanese businesses in emerging countries in earnest. From 2008 onwards, we expanded our businesses in Europe and the U.S. through major acquisitions.

Currently, as I've mentioned earlier, we are focusing on M&As in emerging countries. In order to optimize our portfolio, we believe it is necessary to not only buy but to analyze the portfolio in a forward-looking way and to reshape it accordingly. The disposal of the reinsurance business in fiscal year 2018 was a part of this process. As a result of our efforts, as you can see in the pie chart at the top left, international business unit profit, which used to be 3% of total in 2002, has increased to approximately half of total profit now, which is proof that portfolio diversification is steadily underway.

Now please turn to Page 18. Here is a page about our track record on bolt-on M&As since 2015. It's relatively smaller-sized acquisitions. Bolt-on M&As are acquisitions of companies or businesses that we've done business with for a long time. So we are well versed in the businesses. In addition, as we have established trust with the management team of the target company already, the success rate of the deal is high.

Bolt-on M&As, of course, should be dealt with in a disciplined way. And the portfolio needs to be adjusted accordingly in anticipation of the future. In that regard, TMHCC has expertise and knowledge with more than 50 bolt-on acquisitions to date. By leveraging the strength on a group-wide basis, we will conduct bolt-on M&As at the respective international group companies so as to build an increasingly stronger business model. We believe that this is one of our company's strengths.

Please now turn to Page 19. Close to 90% of international profits are accounted for by the U.S., driven by the 3 acquisitions we made in North America. The slide shows each of the companies' track record since they've become part of our group. All of them have realized above-market growth. And profits have grown steadily.

Please turn to Page 20 now. Our company will continue on with our M&A strategy employing capital. But it's also true that current M&A deal prices are surging, providing less acquisition opportunities of good companies at good prices. Therefore, we believe it is important to wait until the opportunity arises, by closely watching the market from usual times and building good relationships with the companies that we are pursuing.

On the other hand, there are a wealth of bolt-on M&A opportunities. So we will aim to go after these in developed countries, whilst for emerging countries, we will aim to capture high market growth and pursue deals that will enable geographical diversification of the group. Of course, as shown on the right, we will continue to take a disciplined approach and apply stringent standards when making acquisitions.

Next, please turn to Page 21. Through the international M&As that have been conducted, our company was able to obtain competent people and a wealth of expertise. The future of our aligned group management is that we are able to fully leverage our diverse talent in carrying out our strategies. And this is something that is unique to us. We are applying our global expertise in our aligned group management by establishing co-head positions and global committees at the management level and appointing people with a high level of expertise to important positions at the execution level. We would like to further expand this on a group-wide basis going forward.

Please turn to Page 22. The measures we are taking are leading to group synergies, as shown on Page 22. We have been able to generate steady profit from synergies in mainly 4 areas, revenue, investment, capital and cost, that added up to about $310 million in profit contribution. The growth from two years ago is shown on the slide. But even in the past one year, profits grew by $100 million. And the growth is accelerating.

Finally, I'd like to talk about shareholder return. Please turn to Page 23. The ESR target range, as you know, is 150% to 210%. And when ESR is in this range, considerations are made flexibly for business investments, risk taking and shareholder return. The current ESR level, as shown at the top right, has declined to 174% due to interest rate decline but is around the midpoint of our target range. At the bottom right, we show as reference the recent level of business investments and shareholder return. We made business investments and offered shareholder return that exceeds net income, with discipline.

In the past two years, due to historical level of nat cat, profits have dipped temporarily. But the capital generated through future profit growth will be put to use in a disciplined manner.

Finally, please refer to Page 24. Our basic policy is to sustainably grow dividends through profit growth. We are planning to increase ordinary dividends for the eighth consecutive fiscal year in fiscal year 2019. The payout ratio policy is to aim for above 35% of average adjusted net income. But we will continue to raise the ratio in phases towards our future group vision so as to be in line with global peers. The plan for payout ratios in fiscal year 2019 is 38%.

As for capital level adjustments, we will make decisions based on comprehensive considerations regarding ESR levels that were explained earlier, together with market environment and business investment opportunities. As part of this policy, for fiscal 2018, on top of the JPY 50 billion share repurchase and onetime dividends of JPY 50 billion announced at the interim, we've recently announced a JPY 25 billion share repurchase. This adds up to JPY 125 billion in capital adjustment for the full year.

This concludes my presentation. By growing sustainably and enhancing shareholder return, we will strive to gain increased confidence from the market. In doing so, I'd like to ask you for your ongoing support.

Thank you for your kind attention.

Taizou Ishiguro {BIO 20620398 <GO>}

(Interpreted) Thank you very much, Mr. Nagano. We would like to take questions from the floor. From those of you who raised hands in the floor, Mr. Nagano will point at you. And we will bring a microphone to you. Please allow management to be seated as they take questions. We would like to take as many questions as possible from the audience. And therefore, we would like to stick to 2 questions per person. Please raise your hands if you have any question.

Questions And Answers

A - Taizou Ishiguro {BIO 20620398 <GO>}

(Interpreted) Muraki-san, please.

Q - Masao Muraki {BIO 3318668 <GO>}

(Interpreted) From Deutsche Securities, Muraki. Two points. First point, Page 40, on the right-hand side, ESR sensitivity. In the earnings, ESR volatility remained still at a high level. I think that was find out -- found out. And with nat cat, profit -- or ESR was not very affected.

But in the meantime, market sensitivity still remain high. And once the numbers are finalized, what was your impression? That's my first question. And also, what kind of measures do you intend to take for ESR sensitivity going forward? That's my first question.

And the second part of my question is more qualitative. In 2013, you became the President of the company. And it's been six years. Please summarize your six years as President.

A - Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) I haven't come to the end of my term yet.

Q - Masao Muraki {BIO 3318668 <GO>}

(Interpreted) Please look back on your six years in -- as President. As is shown on Page 10, the ROE level and stability has been improved. Some positive aspects on the financial side. But outside of the financial side, I think, as the corporate slogan, should I call it, you've also worked in order to embed the culture, new culture. And as you show on Page 21, governance structure has been revamped in the last few years. You received the baton from Sumi-san six years ago. Compared to what you were anticipating back then, what were some things that went better than anticipated? And what were some things that were difficult that you see -- feel that you have left to your successors?

A - Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) Thank you very much for those questions. I received 2 questions from Muraki-san. The first question will be responded by Yuasa-san. The first question was on ESR sensitivity. Interest rate sensitivity is high. It so appears volatility appears to be high. How do we view this situation? That was the question. And what kind of measure do we intend to implement going forward? The second question was -- well, I would like to ask the next-generation management to respond to many of the questions today. But for the second question, I think I need to respond. And I -- actually last night, as I went to bed, I was imagining maybe this kind of question might be posed today. And so I was surprised to hear it. But let me start with the first question. Yuasa-san?

A - Takayuki Yuasa {BIO 17941516 <GO>}

(Interpreted) Starting with TMNL. Interest rate risk was taken in the life insurance side. The current situation, if we look at it from a long-term perspective, we could say that the interest rate situation is suppressed quite artificially. And so we were taking a position that takes that into consideration. Interest rate went down and yield curve flattened. And as a result, well, actually, we were anticipating this kind of situation to occur. But the interest rate situation, the level is too low. And we were considering buying of JGBs. But we did not do that. We have achieved or reached this level while anticipating certain situation. But looking at the rapid changes in the international climate such as the U.S. and Chinese relationship and other international relationship, our view is not that we will not be expecting a rapid change in the interest rate situation. In order to stabilize the ESR sensitivity, we may buy bonds.

A - Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) Fujita-san, anything to add from you?

A - Hirokazu Fujita {BIO 17671014 <GO>}

(Interpreted) I think Yuasa-san said it well. To a certain extent, well, the market, the bond market, JGB market has low liquidity. And possible price increase could be anticipated. But as Yuasa-san mentioned, buying bonds was something that we decided not to do. We will watch carefully the situation in the market to buy bonds on an as-needed basis so that it will not impact the market too much.

A - Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) In other words, we would like to make effort in order to improve our ESR sensitivity. And maybe they did not necessarily speak about the market situation. But we are looking at the risk volume at 99.95percentile UFR or stop -- being the interest rate at 0%, we are not doing that, adopting that kind of measure. So you -- it might appear that the ESR sensitivity is very high. But in that sense, it might be difficult to compare apple-to-apple in terms of comparison with the market. But I think we need to come up with new ideas in order to better address the situation.

Now coming to the second question. This will be the last opportunity to speak in front of you. And since this is a valuable question that is posed to me, I would like to carefully address the question. What was unexpected? Well I think natural disasters, nat cat. This was well above the level that I anticipated. All I can say is I have to trust God. I'm in no position to control it. Although I was anticipating a certain level of nat cats, it was much higher than the level I anticipated. And we need to closely monitor for some time. And maybe somebody will ask a question relating to that.

In terms of what I was able to deliver, this is very difficult for me to assess. But things that I have treasured during my time, I have always thought that I would need to think on a long-term perspective to create a good company. We need to build a good company that will grow over the long period of time without focusing too much on short-term profit: core identity and to be a good company. What is important for us should penetrate within the whole group. This, I think, was one of the most important tasks for me. Whether I was able to deliver this, frankly speaking, I don't know because this is always a going concern. We need to continue making effort. Once you think you able to -- you were able to achieve something, your organization will start to fail. And so we need to continue that effort. To be a good company or a sense of purpose and thinking about serious matters in a relaxed environment, those are some cultures or environment that I have worked to in my term. And also empowerment of women. Those are some ways in which I tried to create a good company. And the "align the group management or global management," these are some things that I have put a lot of emphasis on, globalization of business. This is something that any company has strived to do -- to work on, including ourselves. But when it comes to globalization of management, this was a very stretched target, a very challenging target for us. Holdings company and TMNL -- TMNF's management has been split. And so that diversity has brought in to many important decisions to be made and I think that has created synergy.

And also, we -- I think I have been able to be successful in diversifying portfolio geographical; and business-wise. (Our GESO), Sumi-san, has taken a good lead in this. And we -- I think I have accelerated that. The fact that HCC has joined the group has made a big difference because that has diversified our business portfolio quite significantly, Asia, Africa, bolt-on type M&As. While controlling risks -- or rather, suppressing risk, we were able to develop our business, as shown in the previous slide. And building a stable group relatively speaking. Natural catastrophes that experienced this fiscal year, impact on adjusted net income was 30% amid the extensive natural disasters. So regardless of the level, continued increase of shareholder value and ROE growth I think has been achieved.

But as I said, management of a business is a going concern and depending on the business climate, environment, things are to change. And our challenges to overcome also need to be changed. What I believe is a long-term challenge that we need to address, which means that has to be passed on to the next generation of -- Komiya-san's generation, there a couple of things I have in mind. First is this aligned group management. We want to enhance this. And what is important is the succession cycle. In the future, we need to have a continuous rollover cycle, young generation being nurtured so that they can become -- assume a position in the next-generation executive position. Regardless of nationality, Japanese or non-Japanese, nurturing them, training them from young age is very important; and beyond that, regardless of nationality or race. For the group, someone, anyone who will create and generate value for the group, who will generate synergy and value for the group is something that also need to be treasured. And this is also going to be very important for the next stage. And I'm looking forward to seeing this.

And looking back on our company, through M&A, what was it exactly that we were able to acquire through M&A? Assets, business models. There may be different things that come to our minds. But more than anything, the best was human capital, people with expertise, global expertise. Tapping into the capital -- human capital and to -- allowing for the aligned group management to take place is, from the cultural integration perspective and for communication perspective, we have chosen a difficult path. But I, come to think of it, believe that this was the right choice. Coincidentally, last week, training (foreign language) for next-generation leaders -- this is held everywhere around the world. And last week, we held this 1 week in Japan. 22 young people, the C position people, came to (Tokio). And we said that knowledge is important. But you who are going to be next-generation leaders, trusting each other is very important. And we have been able to see such steadily progress. And so I am feeling reassured, peace of mind.

And business portfolio has to be improved and refined on an ongoing basis (with our GESO). This has to be improved. Life and nonlife system in Asia, this has to be stabilized. And organic growth and growth rate, it's going to become more and more important. This is, indeed, difficult and challenging. It's a huge challenge. But for the next generation, for us to tap into the expertise of the human capital, this is going to be very important.

Europe, U.K., Lloyd's, profitability needs to be improved in this area. And product portfolio outside of auto or life portfolio, this also needs to be improved. And further diversification or geographical diversification needs to be achieved. We went into Africa as a market on a full scale. And I'm not going to delve into this. But I am believing that there must be other locations in which we can better diversify our business.

And the next also important factor is enhancement of business structure. We need to further make our business structure lean. Under Mr. Okada, we have had the digital strategy. Going forward, addressing social challenges to enable us to further grow sustainably, that's the kind of company that we should become. And to that end, we need to maximize technology as much as possible and have the spirit of mission driven. Being able to come up with a challenge and being able to design business, this kind of capability needs to be further enhanced. We have only begun in this area.

Under Mr. Hirose, sales foundation is being worked on to revamp the structure, to reform the structure. But this is also another area that I will be passing on to the next generation. Challenging culture or a culture that nurtures people, these are some areas that we also need to see improvement, not just implementing work style reform that -- implement reform, that will make people motivated to have a sense of fulfillment at work. That, I think, is very important.

And lastly but not least, capital strategy. This is what I would like to touch upon. During my years, it might not have been very big. But many investors, analysts, I've had a lot of talks, discussions with you. And what I've felt along the way was that you people in the market -- it may depend on the personality of the investors and analysts. But sustainable value growth, something that will lead to an outcome, this process. Process, I think our investors tend to look at the process very carefully. And I appreciate that very much. Your understanding, your cooperation and your accurate and correct understanding of the process would not -- without that, we would not have been able to come so far. So in that sense, I would like to extend my appreciation to all of you who are here today.

But we will remain unchanged. The rate cycle will have to be run that will lead to corporate value increase; and this will remain unchanged, unfettered regardless of the change of management. And this is something that I would like to communicate to our shareholders today. We would like to ask for your continued support. And as a result of that, in order for one step further growth in terms of our corporate value, we would like to receive further value to be added from the market. And this, again, is something that I have passed on to the next generation that I have not been able to complete in my term.

So that was quite lengthy. But with my feeling of appreciation, I expressed my thinking.

So that sounded like a summary. But let's move on to the next question. I'll ask others to respond. Otsuka-san, please.

Q - Wataru Otsuka {BIO 16340098 <GO>}

(Interpreted) I'm Otsuka from JP Morgan. I have 2 questions. Here's the first question. I have a question for holdings overall. I looked at Page seven through 10, especially Page 10 actually, with regards to enhancing ROE. You were just looking back at the past six years. And as you mentioned in your remarks regarding ROE enhancement, you were saying it doesn't just come from M&A.. And I fully understand your point of view. However, your ROE target, as shown on Page 7, is 12%, more or less. So there is a gap.

Generally speaking, if you do acquisitions, you'll be able to quickly reach the 12% target. But of course, organic growth is probably necessary as well. So my question is looking out into the future and your group vision, as you strive to reach your group vision, do you have any priorities or orders that you have set? Because when I look at Page 8, the target for 2020 at adjusted net income levels and for ROE, you'll probably be able to reach the target already. And the 35% shareholder return payout ratio will be achieved as well. So will we be able to reach JPY 500 billion adjusted net income? Or is shareholder return going to be in line with global peers regardless of achieving that target? So maybe one target can be achieved over the other and not necessarily at the same time. So that's my first question. What are your priorities?

So my second question is from Page 12 onwards, where you talk about TMNF and the domestic business. For automobile insurance, in the past, we understand that it has grown. However, when you look at current top line, I believe growth rates are more moderate compared to the past. And as you said, Mr. Nagano, over the longer term, it is expected to decline. And I think that is a fact. So for auto insurance, when you look at top line and bottom line and when you consider its decline, with specialty, fire and life insurance, do you think you're going to be able to make up for its decline? So it's a simple question. And of course, there might be differences in time line. But this is a long-term question for you.

A - Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) Thank you very much for your question. So you asked 2 questions. Every time we have these meetings, I think the questions are becoming increasingly difficult. Especially for the first question you asked, I'm not really sure how I should respond, meaning we can respond to it in many ways. So Yuasa-san, what do you think? Let's have you respond first.

A - Takayuki Yuasa {BIO 17941516 <GO>}

(Interpreted) Well we have run a variety of simulations. For example, the organic growth pattern as well as strategic options and sale pattern were considered as well. But in principle, we believe we are still in the growth phase. Therefore, depending on the pattern you select, there are differences. But if we go through organic growth, of course, it will take more time. And if we go through strategic options, we'll be able to expedite the process. However, we need to buy at good prices, or else we won't be able to achieve our targets.

So with regards to priority or order, it says more than JPY 500 billion. So of course, there is a pattern where JPY 500 billion comes first. But of course, we do face challenges and themes. And if there were any issues, we might need to make capital adjustments at the same time. So that's one option. It's not as if we're desiring for that. And of course, basically, we're running a simulation. So that is not accounted for. But which comes first, your question around that, I guess the most desirable is that profits come first, which is followed by, it says, adjusted ROE of 12%, more or less. But we would like steady ROE levels to be realized. So that would be subsequent to the achievement of profit targets.

With regards to dividend payout ratios, if we are still in the growth phase, we will probably allocate more funds for growth. So that may be the last of our priorities in that regard. However, once we feel that growth is difficult to do, we would like to gradually increase the payout ratio in phases. I think that will be the ultimate way of thinking. But there are so many scenarios. So I'm -- I apologize that I'm not straightforward.

A - Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) Thank you very much, Mr. Yuasa. As Mr. Yuasa explained, the order of priority is the exact same priority I have in my head as well. So first priority is growth, to sustainably grow. So of course, we try to avoid a case where the payout ratio is 50%. So even if the payout ratio is not 50%, we would like to continue to grow and increase the amount of total absolute dividends. That is the kind of way we would like to manage the company for a long period of time as much as possible. But of course, we will look at the overall environment and strike a good balance. So I hope that answers your first question. Thank you.

So for your second question, this is the growth strategy for our domestic business. So I'd like Mr. Hirose to respond.

A - Shinichi Hirose {BIO 18820991 <GO>}

(Interpreted) I am Hirose. Thank you very much for your question. As Mr. Nagano talked about earlier, for auto insurance, currently the number of units are still growing from last fiscal year. And even if the number of units were to fall, I would say, for the time being, it's going to be flat. And it will be gradual when we start to see a decline over the longer term. However, over the mid to long term, it is true that we're expecting a decline. As for brakes that mitigate collision and so forth -- and there are more safety features. And autonomous driving is progressing as well, which means that the frequency of accidents is likely declined. However, repair costs are surging at the same time. So when you look just at the auto category, there are new risks that are emerging such as cyberattacks on autonomous cars; as well as there are some insurance products that have -- went on sale that covers flying vehicles. And it's PoC.

So for the auto insurance business, currently we would like to continue to strive to grow. But in anticipation of future, as mentioned earlier, specialty insurance and specialty lines are through which we would like to grow the market so that we can make up for the decline that is anticipated for the auto insurance business.

For specialty lines, as mentioned in the presentation, compared to Western markets, in Japan the penetration rate is still way low, especially for SMEs. There are worker compensation-related insurances and disability insurances where the penetration is still low and we would like to expand in the future. And as people are expected to live for 100 years nowadays, dementia and health care-related fields are areas that should be covered.

With the finances of the government starting to become stricter and stricter, I believe private insurance needs to support the needs in the market. And with this, we hope to expand the market in Japan as well. And for cyber and other areas and areas that are called new risks, these risks are emerging as well. So we would like to ensure that we appropriately respond to these emerging, new risks. All of these in place, we would like to ensure that we cover these areas comprehensively so as to grow.

So my summary point would be we'd like to continue to grow the auto insurance but grow other areas as well as the life insurance business more than the growth of the auto insurance business.

A - Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) Thank you very much, Mr. Hirose. I hope that answered your question. So on Page 13, as you can see, currently specialty insurances are recording high growth. However, the pie is still small. It's only 20% of total. So we would like to bring this up to 30% to 40% of total. In order to do so, the distribution network as well as the mindset of employees need to change, although it may take time. But once we establish that mentality, I believe we can grow specialty insurance in a large way. Fortunately, for auto insurance, the number of owned vehicles, before it starts decline, it's still going to take some time. So until that happens, we would like to establish a good foundation. And we would like to ensure that -- for SMEs, we would like to enlighten them so that we'll be able to capture their needs. Thank you very much.

(inaudible), please.

Q - Unidentified Participant

(Interpreted) Interest rate risk of life. You said that you were thinking of buying long-term bonds. But there were companies that use reinsurance. It was a very small transaction, reserve release of around JPY 100 billion or so, maybe less than that. JPY 30 billion in financial accounting transaction had occurred. It was EB -- EV onetime transaction. If you try to do it big, people who look at JGAAP, it's kind of difficult. But in your company, this kind of choice of methodology, what are your views on that? This is my first question.

And my second question is on Page 23, fiscal 2017, fiscal 2018. You talk about business investment and so forth. And in business investment, the goodwill for the past few -- two years, what is the situation for goodwill? And how much of that is taken into account? I would like to give some understanding on that. So those are my 2 questions.

And related to goodwill, additional question, if I may. And IFRS: I think your company plans to move towards IFRS. The current IFRS says that there is no regular goodwill depreciation -- amortization. But Japanese accountants, when it comes to goodwill amortization, they tend to like it. It's kind of funny way to express it. But they insist on that in the global community as well. And I'm getting an impression that, that kind of approach could be adopted or applied. Well we're not sure when that will be incorporated as a change. But in your company's way of thinking, when you think about ESR, goodwill and intangibles are removed first. And it's kind of a consistent policy. So regardless of IFRS adoption or not, your way of thinking towards the capital policy will remain unchanged, in my view. But I would like to have some comments on that.

A - Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) I think we received 2.5 questions. And thank you very much for that. The first question was with regards to interest rate risk for life insurance apart from long-term bonds. I think this was for -- this was a life insurance company, right, acquired reinsurance and whether we were considering any other options. Maybe I can ask Yuasa-san to respond to this question.

And second question was on Page 23, about business investment and goodwill past two years. How much has -- goodwill amortization has been taken into consideration? Maybe we can ask Yuasa-san to respond to that one as well.

And the third question, maybe we can ask Fujita-san to answer, on IFRS, goodwill, how goodwill is addressed. Our way of thinking or how we view the situation, I guess, is your question. Is that correct?

Q - Unidentified Participant

(Interpreted) There's a lot of discussion going on. But your view of capital policy, your view of shareholder return, your thinking towards goodwill will not change? That was my question.

A - Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) So maybe Yuasa-san can handle that question.

A - Takayuki Yuasa {BIO 17941516 <GO>}

(Interpreted) Okay. So the first question, reinsurance, naturally, that's something that we are considering on various fronts. For one thing, rates at that time. And also it depends on the period. The longer the period, we need to think of different things. And it would also involve counterparty risks. So we would need to think about those aspects. And we are considering those aspects. And we have seen the example that you mentioned in your question. We would like to think about it. But the price is expensive. And therefore, we would like to be cautious.

So about goodwill. The amount itself cannot be disclosed. And therefore, it's kind of difficult to address this question. JPY 100 billion -- 2018 at JPY 100 billion, a little over half. That will be the level.

And lastly, any impact on shareholder return was your question. As we move towards IFRS, how are we going to operate the company and business? Of course, that's -- we would need, we'll be coming up with numbers and think about the financial impact. But are we going to make some adjustment under IFRS compared to the numbers we have today? Of course, we will need to think about that. We haven't finalized yet. But when it comes to shareholder return, we believe that continuity is very important. And therefore, that would naturally be taken into account.

A - Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) I think that was a perfect answer.

A - Takayuki Yuasa {BIO 17941516 <GO>}

(Interpreted) Thank you.

A - Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) Thank you. So Watanabe-san, you're next.

Q - Kazuki Watanabe {BIO 15948747 <GO>}

(Interpreted) I'm Watanabe from Daiwa Securities. I have 2 questions. The first question is regarding Page 13 in the material. With regards to your pricing strategy for fire insurance. In October this year, you were anticipating a price increase. But in the household division as well as for corporate, how much of a rate increase are you anticipating? Can you share that with us? The intention is we asked this to MSAD as well. It seems that the profitability impact and its materialization is going to be 10% in '19 and 50% in 2020. So I was wondering, in your case, what are your thoughts with regards to profitability improvement in corporate as well as household?

Next is with regards to your dividend policy. On Page 24, you were aiming to reach global peer levels over the long term. So I just wanted -- we were able to confirm that your thoughts are the same. But at the same time, with regards to DPS increase, it used to be JPY 20. But now this time around, it's a JPY 10 increase. So as a backdrop, maybe growth opportunities are higher than expected. Or is it because of the ESR decline? What are the reasons why you decided to increase DPS by JPY 10 this time around? And towards the interim period, with regards to onetime dividend opportunities, although your ESR went down, you're still in a target range. So I just wanted to ask whether is there any possibility that onetime dividends may be paid at the interim.

A - Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) Thank you very much, Watanabe-san. So those are 2 hard-to-answer questions. It's great. Thank you. So how are you going to answer these difficult questions, Mr. Yuasa and Mr. Kawaguchi? So first question is about fire insurance. So Mr. Kawaguchi will take it. And the second question will be taken by Mr. Yuasa.

A - Shingo Kawaguchi {BIO 5768643 <GO>}

(Interpreted) Let me answer your question. For fire insurance increases, in October, we will be -- we are planning for a rate increase in October. Profitability improvement is expected to be plus JPY 15 billion. When everything materializes, it should add up to this number. As you've pointed out, for fire insurance, there are some long-term contracts and policies in place. So because of that impact, the actual profitability improvement materialization out of the JPY 15 billion is expected to be 10% in fiscal '19 and 50% in 2020. And 80% in fiscal '23. So that's what we're expecting.

Out of fire, we have household as well as corporate. And the improvement is expected to be 1/2 each. With regards to period, for household fire, out of the policies, out of new and renewals, 90% are going to be five years or less. And the longest would be 10 years long. For corporate fire insurance, 70% is 1-year policies and the longest are 5-year policies. So these factors are accounted for as we anticipate the profitability improvement of fire insurance. I hope that answers your question.

A - Takayuki Yuasa {BIO 17941516 <GO>}

(Interpreted) So let me -- let us answer the second question now. For dividends that we used to increase by JPY 20 is now JPY 10, that was your question. It's not as if our basic stance was to raise it by JPY 20 every year. It's basically based off adjusted net income and at which level of adjusted net income. And we are striving to raise the payout ratio gradually. So that is the basis of the increase. And the total absolute amount of dividend is what we would like to increase as well. So dividends times the total number of issued shares is what we'd like to increase. So from JPY 128 billion last fiscal year, we're expecting this to go up to JPY 134.2 billion. And we believe that a JPY 190 a share is appropriate in anticipation of future dividend payouts.

And with regards to the possibility of onetime dividends this year, as you know, capital level adjustments is the means through we do this. And as Mr. Nagano explained earlier, when we're in the range of 150% to 210%, we will look at market environments as well as business investment opportunities as well as risks comprehensively. And we will make a comprehensive decision flexibly. That's how we stand.

Nat cat was quite high in the past two years. And as of the net income, therefore, it was low. However, when you look at our stock, we believe we are at sufficient levels where we can consider business investments. For example, if natural catastrophes are relatively less for this fiscal year. And if it's about the same as last fiscal year, we believe those opportunities are possible. However, if we conduct M&As, then the story will start to change. So if we don't have those opportunities, that there may be a possibility. I hope that answers your question.

A - Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) To the gentleman, we're able to answer your question as much as we can. We are now looking at the market in a pessimistic way. And we're not looking at current situations at a pessimistic way. And we have made decisions in a comprehensive manner. So I hope you understand. And I hope you extend your support.

Sato-san?

Q - Koki Sato {BIO 19983862 <GO>}

(Interpreted) Sato from Mizuho Securities. Two points. First point, going back to what Nagano-san said, one thing that was unexpected was nat cat. Going forward, the reinsurance purchase strategy, should I say, nat cat taken into account from last fiscal year, any impact could that have on purchasing of reinsurance going forward? Other companies received some benefit last year. But reinsurance cost has increased this year. And, therefore, having a reinsurance coverage does not necessarily mean good things. So that's something I would like to confirm.

And my second question is financial accounting index. What are your thoughts on that? In the handout, Page 10, ROE chart, or Page 23, investment, shareholder return and net profit balance, financial accounting profit appears in the handout. And I feel uncomfortable because you also talk about trying to catch up with global peers. Financial accounting index, what does this mean in your company?

A - Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) Understood. We have received 2 questions. Looking back on six years, I refer to nat cat. But model-wise, how was it, that's a different story? I think I would probably say that it was within our expectation. And Kawaguchi-san is going to respond to the first question. Yuasa-san will respond to the second question.

A - Shingo Kawaguchi {BIO 5768643 <GO>}

(Interpreted) So let me respond to the question on reinsurance. As Nagano-san alluded to, he talked about unexpected. But for the past few years, we had relatively high level of payout compared to an average year in terms of claims. But we've done model calculation and management using models. And that has been quite effective in our management of risks. That's, I think, something that needs to be mentioned.

And in terms of our reinsurance policy, our thinking is that reinsurance is something that in case a huge amount of claims payment occurs as a result of big nat cat, we want to make sure that our capital will not be damaged, the level of nat cat that would occur once in 100 years. So we want to have enough coverage through reinsurance. Any level of events, natural events that would occur maybe once every few decades, relatively small-scale, whether that should be covered by reinsurance, we make a decision based on economic efficiency. We use a risk calculation model, calculate the risk amount and look at the cost and also compare that with the cost of covering this in-house and make a final decision. And in that sense, nat cat reserves is something that will be covered, nat cats that would occur once every 70 years, which plays a similar role as reinsurance. And therefore, when we decide on buying reinsurance coverage, that is also taken into account.

Especially in those areas where recovery of reinsurance is relatively low, recovery is high, we tend to feel that the reinsurance price is high. And for reinsurance companies, of course, there's profit and broker commissions have to be taken into account on the part of the reinsurance company. And low profitability of fire insurance has to be taken into account, which means that nat cat reserves should be tapped into rather than having reinsurance coverage. This remains as our thinking. We always look at the situation of the reinsurance market every year and also actual payouts and flexibly thinking of our way forward. I hope that answers your question.

A - Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) Yuasa-san, can you please respond to the second question?

A - Takayuki Yuasa {BIO 17941516 <GO>}

(Interpreted) Now Page 10, the comparison, intentionally, we adopted financial accounting for this. And the profit is adjusted for each of the companies. And we thought that it will be very difficult to compare apples-to-apples. And therefore, for this particular page, we've used financial accounting.

Financial accounting is public available data. And therefore, that's important, we believe. But the business plan we'll use adjusted net income and business unit profit, that will be our basis looking at our business plan. And also shareholder return is based on that as well. And it is based on those numbers that we run the company. I hope that answers your question.

Q - Koki Sato {BIO 19983862 <GO>}

(Interpreted) So you're using financial accounting just for the handout purposes, is that the correct understanding?

A - Takayuki Yuasa {BIO 17941516 <GO>}

(Interpreted) Yes. To allow for comparability. It will be difficult to compare apple-to-apple if we use other source of information. So we use public available financial accounting data. I hope that answers your question.

A - Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) Please go ahead. Majima-san, please?

Q - Tatsuo Majima {BIO 15338044 <GO>}

(Interpreted) I'm Tokai Tokyo Research Center. My name is Majima. You talked about personnel. So I have a question. One question is about personnel. And the second question is about autonomous driving insurance. So first is about talent. In the financial industry, students are not that interested as much as before. In the popularity ranking, however, it seems that you continue to be popular amongst students that are looking for jobs. However, overall, students are not as interested in working for the financial industry as in the past. So for those new grads that are joining your company, do you think the quality of your new grads are falling? And do you have any measures to prevent the trend of students walking away from the financial industry?

Then last year in October, Toyota and TMNF did this Toyota Research Institute. You were talking about sharing information on autonomous driving. And I think you're engaged in a business tie-up last year in October. Have you been making any progress on that front? And through this partnership, are you going to benefit in any way? That is my second question.

A - Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) Thank you very much for your question. That's a difficult question, your first question. But for the second question, Mr. Okada will take it. So for the first question, let's ask Mr. Hirose to attempt to answer this question. Let's see how he responds to it.

A - Shinichi Hirose {BIO 18820991 <GO>}

(Interpreted) Thank you very much for your question. This is Hirose speaking. With regards to popularity ranking of students that are seeking for jobs as well as the decreasing popularity of the financial industry, fortunately, with our company, we continue to be quite popular amongst students. And we remain to be popular amongst students. When you listen to what they have to say, I don't think the quality of the students that are applying for jobs with us have fell. It's not just a matter of having the students join our company; I think it's the matter of the company having the capability to develop the people who join. That's a bigger challenge for us. We need to give experiences to the people who join our company, have them go through training programs and so forth. And we are aiming to become a company that is able to develop its people the most in Japan.

Apart from job seeking, with regards to the financial industry and where it stands, I'd say that the new digital arena such as fintech, there may be some areas in the financial industry that might be replaced by fintech in the future. When it comes to banking operations, payments, settlements and foreign currency transactions, these areas of transaction may be replaced by new technology part-by-part. However, in the case of insurance, we take on large risks and pay -- make coins payments. So there's more of an end-to-end process that's associated with insurance as a business. And when it comes to large natural disasters, we will actually visit the area where it occurred. And we will do surveying. And we will also settle conflicts when it comes to automobile accidents. So there's a lot of personnel intermediation.

Of course, we believe it's important to make use of fintech. However, I don't think that the main part of operations can be replaced completely, entirely by fintech or the new emerging technologies.

Q - Tatsuo Majima {BIO 15338044 <GO>}

(Interpreted) What is the rate of employees that are leaving the company when they're in the third year after they've joined the company?

A - Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) If it's year 3, I think the retention rate is quite high. Not the dropout rate. I'm sorry, it's not high. The retention rate is high. I don't have the exact numbers with me.

A - Shinichi Hirose {BIO 18820991 <GO>}

(Interpreted) Compared to other industries, we do understand that our company's dropout rate is low. If we have the numbers with us, can someone bring this here later?

A - Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) As Mr. Hirose explained, we'll show you the rates later. But when you look at students lately, of course, I don't understand them completely from my point of view. However, I think rather than salary, they put a lot of emphasis on social contribution through their jobs as well as how fulfilling their jobs are and how much they can grow as a person through their jobs. I think that's the area of importance. That's why there is an increasing number of people that are -- that apply for startups. But in order for Japan to change, it's not just about startups. Of course, to raise productivity, I think that is very beneficial.

However, people need to come to large companies and large corporations need to change or else people will not be able to develop themselves. So that's associated with your second question. But I think we, as a company, regardless of whether we're a financial company or not, we need to become an interesting company, a place where we develop people. So I think we need to change as a company. And in order to grow productivity in Japan, I think that's a very important aspect. So not just the TRI project. But through other initiatives, we would like to change. And Mr. Okada will give some follow-up comments.

A - Makoto Okada {BIO 19818959 <GO>}

(Interpreted) You're talking about ALBERT. On Page 53, as we show, ALBERTO (sic) (ALBERT) -- ALBERTO (sic) ALBERT , in October, because they have a high level of AI technology, we've engaged in a business tie-up. And at the end of October, together with Toyota and Toyota Research Institute, we have decided to partner with them as well in joint initiatives.

Currently, accident data, we have a wealth of data on our side. So we can provide that data and research so -- to elevate autonomous driving technology is currently being worked upon by utilizing this sort of data. So we are part of this team. And by having a relationship with ALBERT, first, with regards to artificial intelligence technology, we have been able to engage in various types of researches. And in the claims service, data analysis and use of AI, we have started some research into other themes as well. And with our data analysis, in various HR development programs, we are working together. So that's what we're doing with them.

Q - Tatsuo Majima {BIO 15338044 <GO>}

(Interpreted) So developing people internally, making the workplace a fun place to work at, what kind of initiatives are in place? Can you touch upon that as well?

A - Makoto Okada {BIO 19818959 <GO>}

(Interpreted) Well how are we trying to change? Well in the past, we were basically a traditional insurance company. And some people were brought up that way. However, now we have digital. Now we have new businesses and including open innovation. We are sending our people to startups nowadays. And where there's events, we're attending them. And there is an organization called Digima, which engages with people from other companies. So we have a variety of initiatives underway.

With that as a backdrop, we are preparing programs to develop digital talent. And we are taking them to Silicon Valley. So we have a lot of initiatives in place. So we are trying to nurture a challenging spirit and we want people to conceptualize and be excited about what they do, as Mr. Nagano explained. So that's the area of focus as we try to develop our people.

So it's not digital branding. But we would like to communicate what we're doing internally. So that people can feel the attractiveness of our company.

A - Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) Thank you very much, Majima-san. Any other questions or comments? Yes, please. In the back of the room.

Q - Futoshi Sasaki {BIO 17564798 <GO>}

(Interpreted) From Merrill Lynch, I am Sasaki. Two questions. Page 9, I have one question on Page 9. In the presentation, as you mentioned, you're expecting and anticipating a lot of changes around auto insurance. How will your positioning change going forward? Have you had any discussions within management? Please share us. And looking at your history with motorization, you have been able to increase your market share quite significantly through motorization. Is similar kind of thing expected going forward? How will your positioning change with the expected change in the auto industry in Japan?

And the second question is with regards to your presentation. You basically summarized what you've done. And the main message was that you're successful. You're on track. But when it comes to what you're going to do going forward, I don't think you shared much in your presentation, maybe because the management team is going to change, maybe you want to pass it on to the next team of management. And -- but does it mean that you're not expecting much change? Or are you going to change significantly? And therefore, this is how far you can go in the presentation? Please share us.

A - Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) Sasaki-san from Merrill Lynch, I have received 2 questions. And the first question was with regard to the auto industry in Japan. How will our position change going forward? With auto driving becoming more prevalent eventually in the future, how do -- does the company expect our positioning to change? I think that was the question. Hirose-san and Kawaguchi-san will supplement.

And the second question, Muraki-san, when he asked his question at the very beginning, I explained in great length as to what challenges are going forward. While it was not included in the presentation, I thought I had covered in great length as to what challenges are for the company. I hope you were there from the beginning of the Q&A session. And I think my answer to that question responded to your second part of the question. So let's respond to the first question.

A - Shinichi Hirose {BIO 18820991 <GO>}

(Interpreted) The question was on positioning. Auto insurance has grown with motorization in the domestic market. And we, as an insurer, has been addressing social challenges through provision of insurance products. And even today, we have terrible car accidents. And we want to be there in case of need for the customers. And there are very strong needs from the market in that area. And therefore, at least for some time, we should be able to maintain this business of auto insurance. And this will probably remain unchanged. But as alluded to before, in the medium and long term, this auto insurance market is expected to shrink, could shrink. But that there are other social challenges like 100-year life; and there could be demographic changes; and there could be emerging risks, such as cyber risks. Various social new and emerging social challenges will be addressed by the company in a proactive manner. So that we can solve our customers', clients' challenges.

And in order to make that possible, we would need to develop and deliver attractive products to our customers. And our business needs to be more efficient and lean. That's where digital or technology could be fully utilized to improve customer experience and user experience and also balance that with efficiency.

A - Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) Thank you. So positioning of car insurance as a product, please respond from that perspective.

A - Shingo Kawaguchi {BIO 5768643 <GO>}

(Interpreted) Let me supplement auto insurance. Past 20 years, looking back on our market share in auto insurance. And this is the market share trend, like including direct sales, online sales, the market share is gradually increasing. How will this change going forward? This outlook or projection is very difficult. But product and channel, on both sides, we will expect to see changes. For our product, we have the reference rate and the grade system that will remain. And it is within this framework that each company will compete on the product side. And therefore, we will introduce new riders to ensure our unit price -- unit policy premiums to be increased.

Now when it comes to the channel side, the online direct insurers are increasing their share. And on a cumulative basis, over the past 20 years, it's still a mere 9%. While there are policyholders that move from our company to online to direct insurers, there are others who come from online to our company. So we would need to analyze what our strengths are. Locally based agents and also non-life sales network throughout Japan, these are some strengths. And we also have group coverage, which is also another area of strengths. We intend to provide products that will cater to customer needs and that would leverage on our strengths.

A - Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) Thank you. This is very challenging. Even major car manufacturers, even they can't really anticipate or project how the mobility, environmental change going forward. So we are trying to be prepared on all sides. Now we need to be modest and humble in looking at even the smallest changes on the part of customers and be able to capture it and absorb and learn from many changes. And as long as we're able to keep up with that capability, we should be able to further increase our market share. And with that, I hope I answered -- or we answered your question.

Majima-sam, with regards to the third year employees and their turnover, coming back to your earlier question, we do not disclose in detail. But it's a several percentage, single -- lower single percentage. This is the turnover. It's very low level.

A - Taizou Ishiguro {BIO 20620398 <GO>}

(Interpreted) So has everyone asked all the questions they have? Okay. So finally, our group CEO, Mr. Nagano, would like to extend closing remarks.

A - Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) I think I've been talking for a long time now. So I apologize I'm going to speak again. But once again, I'd like to thank you for the past six years during my tenure as CEO. Thank you for your ongoing support during my tenure. At the onset, I was talking about this. But Muraki-san, you happened to have asked me the question that I thought was going to come up today. And I responded to it already. But in any case, I was very fortunate that I was able to establish a good relationship with you. And you were able to understand me well. So having this kind of virtuous cycle with you was an honor and was good for me.

If I were to mention something that I accomplished, I was fortunate to have great successors. I think that is the first thing that pops up in my mind. So Mr. Komiya is here. And Hirose-san is here. And Nakatoso-san from TMNL as well as Chris that is in charge of international as well as Hiroshima-san, that's going to be newly in charge. I have great successors into the next generation. I hope you can continue to extend your ongoing support to them.

So this is a good opportunity. So finally, I would like to pass on the mic to Komiya-san, Senior Managing Director, who will take on my position from the end of June. So Komiya-san, over to you.

A - Satoru Komiya {BIO 17943039 <GO>}

(Interpreted) As introduced, my name is Komiya. I'd like to, first of all, thank you for attending our IR meeting today despite your busy schedules. I'm currently in charge of the international business. And there were no questions asked today with regards to the international business, unfortunately. But whatever the case may be, we would like to ensure that we pursue organic growth, which is our principle, as well as pursue strategic options such as M&As. This basic way of thinking is going to be unchanged. Of course, the areas as well as the methods may change somewhat. But we would like to ensure that we continue on with these initiatives. So that we can continue to be -- the international division can continue to be the growth driver of the group.

But as mentioned earlier, from next -- the end of next month onwards, I will serve as President or CEO. And I would like to ask you for your ongoing support. In Japan and abroad or for the group on a global basis, I would like to ensure that we gather the passion and wisdom of our executives and employees. Although the speed of change is fiercer in the business environment, we would like to ensure that we are able to grow in a robust way. We would like to aim to become a company that is resilient. And I would like to ensure that I lead by example and work hard.

Together with the shareholders, stakeholders as well as investors that are here with us, today, I would like to ensure that we work together. So that we continue to engage in dialogue going forward. And we would like to learn from you all and aim to enhance corporate value. So I'd like to ask you, taking this opportunity, to extend to us ongoing support. Thank you very much today.

A - Tsuyoshi Nagano {BIO 16141096 <GO>}

(Interpreted) So I would like to also ask you for your ongoing support. Thank you very much indeed for today.

(Statements in English on this transcript were spoken by an interpreter present on the live call.)