Tokio Marine Holdings Inc Mid-term Management Plan Presentation

Company Participants

- Akira Harashima, Senior MD, Representative Director & Co
- Makoto Okada, Executive VP, Director, Group Chief Strategy & Synergy Officer and Group Chief Digital Officer
- Satoru Komiya, President, Group CEO, Director & Group Chief Culture Officer
- Shingo Kawaguchi, Managing Executive Officer, MD & Director
- Takayuki Yuasa, Executive VP, Group CFO & Representative Director
- Unidentified Speaker, Unknown

Other Participants

- Kazuki Watanabe, Research Analyst
- Koki Sato, Senior Analyst
- Masao Muraki, Senior Analyst and Global Financial Strategist
- Natsumu Tsujino, Senior Analyst
- Tatsuo Majima, Senior Analyst
- Unidentified Participant, Analyst
- Wataru Otsuka, Analyst

Presentation

Satoru Komiya {BIO 17943039 <GO>}

My name is Komiya. Thank you very much for coming today. First, I'd like to give you a brief presentation based on the presentation material. And afterwards, I would like to receive questions and comments from the floor.

Ladies and gentlemen, thank you for attending our Fiscal 2019 Second Half IR Presentation Meeting. On this occasion, I'd like to express my heartfelt appreciation to all of you for giving us your support and understanding.

Last week, we announced our Second Quarter earnings. In today's meeting, I will not only talk about short-term financial earnings. But we would like to focus more about how the new management team is committed to enhancing the corporate value of Tokio Marine Group, centering around medium to longer-term management strategy. After my presentation, as usual, as much as time allows, we would love to receive your questions and comments from the floor. We look forward to having a fruitful time with all of you.

Without further ado, please turn to Page three of the presentation material. On this page, we would like to introduce the new management team, which kicked off officially as of the General Shareholders' Meeting held in June this year. We also have the main senior management members who are attending this meeting today. And this is a team with which we would like to promote group management even further. In such pursuit, we ask for your continuous guidance and support.

On Page 4, we are showing our goal and strategy. This is something we already shared with you at the IR presentation meeting back in May. But once again, as the goal of our group, we will aim to become a global insurance group, delivering attractive value to all stakeholders. Towards this goal, we will first achieve organic growth by each business domestically and internationally. And we'll also review the portfolio strategically so that we will generate capital. Exemplified by the divestment of TMR last year, capital that we have created will first be allocated for business investments such as M&A that will contribute to risk diversification. Needless to say, whenever we do business investment, it will be dealt with discipline. And unless we find attractive targets, our policy is to return capital to shareholders. We have this policy because we want to be sincere in responding to expectations of each stakeholder. Though it may appear simple, this growth story that we depict remains unchanged. In the past, by turning this cycle in an assured manner, we have been able to enhance our corporate value. Under the new management team, we will also be turning this cycle but in an accelerated manner. As a result, as shown on the slide, we are able to and will attain our goal of achieving stable double-digit ROE and high-level shareholder return.

Please turn to Page five and 6. This year, in October, we made an announcement about the acquisition of Pure Group, a specialty insurance group focusing on the high-net-worth insurance market, where high growth is expected. This acquisition is indeed the execution of the management strategy that I have just explained. Acquisition of the peer group was in alignment with our M&A strategy and criteria, which are a company with solid business model, with strong profitability. And most importantly, a cultural fit that shows affinity in why they are in insurance business. It was a good company that satisfied this criteria. And it was, in fact, a company that we have on our watch list for some time as a candidate target. Their business revolves around less capital burden and stable fee income. In that sense, although this is a new area for us, overlap with Tokio Marine's existing business in the U.S. market is limited, as shown on Page 6.

With this acquisition, we believe that we will further drive continuous profit growth and portfolio diversification. We are excitedly waiting for them to join Tokio Marine Group.

Please turn to Page 7. The acquisition of Pure Group is only an example of how we execute on our strategy. And we have so far consistently executed on the strategy and yielded results from the past. This page shows you our track record since 2010. Tokio Marine Group has established a stable and sustainable earnings foundation in its domestic P&C business. On top of that, we have built -- developed a market business centering around specialty insurance in North America. And in emerging markets, we are enjoying organic growth as well as executing a strategic option in order to achieve further growth. While we have executed on these strategies, you can see that we have steadily been able to enhance our corporate value as we globalize our businesses and achieved profit growth, both domestically and internationally.

While we have executed on such strategy, I would like to reiterate once again that the starting point of our strategy is in achieving portfolio diversification. On the right-hand side of Page 8, there's a graph that looks like an alligator's mouth. By diversifying the portfolio geographically by different lines of business and by offering different products, we have been able to control the risk amount appropriately while achieving continuous growth. Going forward, we will further diversify the risk globally to stabilize the business so that we can be there for our customers and markets when they need us. And we'll be there to support them when they want to make challenges for their tomorrow. We are there to support them. This is my thinking.

The outcome of such result is shown in form of ROE on Page 9. Through large M&As in Europe and North America, we have enhanced profitability and risk diversification while leading to improved ROE by containing volatility. We are confident with the direction of our strategy. And I believe many investors join me in evaluating this highly. As of today, we are entering into the upper right quadrant. And the level of ROE is getting close to that of the peer companies. Towards our future goal, we would like to further make progress in this direction.

Please turn to Page 10. Both domestically and internationally, we are surrounded by drastic changes in the business environment, exemplified by climate change, advancement of technology and changes in demographics. Amid such drastic changes, in order for Tokio Marine to continue to enhance its corporate value, I believe we need flexibility to continue to evolve with speed and resiliency to tenaciously achieve growth. To become a group with such qualities, I'd like to explain the 3 points that I'm working on as the group CEO.

First is to activate people and organizations. Business innovation always happen at the forefront of the field. Whatever happens on the field must be shared among the group organization with speed. And because we live in such era of drastic changes, it is important that we continue to challenge without holding fear of failure. Such a challenge must be executed under a good team. And to create a good team, we must definitely respect diversity. Diverse members must create one team. And each member contributes with wisdom to solve problems. Each of them will be in different areas of expertise and experience. And they should communicate and collaborate to thrash out group wisdom. This is what I believe should be happening. And such is the people and the organizations that I like to create.

Next is enhance functions and further globalize management. As long as we are doing business on the global arena, every aspect of management such as business model functions, support management, human resources and organizations must be elevated from global perspectives. In fact, Don and Chris and -- are serving as co-heads of group management. And we have other global talent who are serving important roles in areas such as risk management and reserving. On top of that, we are strengthening global committees. We will be expediting these efforts so that we can bring on board the diversity, areas of specialty experience and network held by global talent to our group strategies.

The third is vigorously use technologies. We will be promoting and enhancing R&D in this area. What is important here is the order of things. We have the wish to enhance our value to customers and markets. To do so, there's more I want to do and there's more we must do. And if we use some advanced technologies, we might be able to do that more quickly and efficiently. Using the most advanced technology is not the goal itself. By using new product, services and business model, we want to deliver a new value to customers. And to do that, we will be proactively utilizing technologies. This is the important order.

Next, I'd like to introduce some financial results. So please turn to Page 11. As we announced last week, this year's adjusted net income was revised downwards by JPY 95 billion, to be now JPY 305 billion. Though we made a downward revision, reasons for the downward revision, as explained on the lower right, was the increase of domestic natural catastrophes and others. And excluding those factors, we are almost in line with the plan. However, recent changes in the market environment that is happening in the United States or the impact of social inflation is not so material yet. But we are never optimistic about this. We are already working on strengthening underwriting standards to be bottom line oriented and are also (hacking) ways to cover loss cost. We will continue to respond with such essential measures with speed going forward.

Please turn to Page 12. On the left-hand side of the slide, we are showing our risk recognition. Since last year, we are having consecutive year with large-scale natural catastrophes this year. As a result, this year's net incurred loss is going to exceed our natural catastrophe budget for domestic and international combined, which is expected to be JPY 200 billion. This, according to our risk model, is a scale of natural catastrophes to occur in every 5 to 10 years. And this is within our expectation. As I have always explained, the main way to manage natural catastrophe risk is to diversify risk globally and also across different business lines. To elaborate, by achieving global growth, we can lower the weight of the impact of natural catastrophe risk in a relative manner and that creates a better portfolio in terms of soundness. As a result of such policy, the impact of natural catastrophes is never small. But we are able to contain it within 20% of profit.

There's clearly a need to improve profitability of fire insurance. This may sound conceptual. But there are various stakeholders to Tokio Marine Group. And based on the capital provided by shareholders, we are able to take risks. Therefore, it is reasonable that shareholders expect the rational investment to return vis-Ã -vis their investment. Even across policyholders who support each other, I believe a relationship where a profit brought by overseas policyholders is constantly being transferred to Japan or a profit which should benefit the policyholder of auto insurance being transferred to fire insurance is never healthy. We own the obligation to serve our responsibility to every stakeholder. It is necessary to keep the soundness of fire insurance that can cover natural catastrophe risks. And it's important that we maintain fire line of insurance to be a sustainable one.

As written on lower right, with the rate increase that has happened in October this year, we will be aiming for profitability improvement by JPY 16 billion. But on top of that, we will take into consideration the advisory rate revision in fiscal 2020 for further responses. In any case, improving the profitability of fire insurance and responding to natural catastrophes is at the top of management's agenda. And from various perspectives and angles, we will consider comprehensive initiatives to tackle those issues.

Page 13 shows the targets of our current midterm management plan, the future goals and the current progress on the left side column. We believe that it's important to achieve these goals steadily and to further increase investor confidence.

Please turn to Page 15. From here on, I will explain our strategies by business. The first is the domestic nonlife business. On the left of the slide is the track record for top line. We have increased top line sustainably and current growth is at a rate that exceeds plan. Three major initiatives which have supported this growth are shown on the right. First, automobile insurance is our main line in the domestic nonlife business, in addition to the fact that the number of policies of our company has greatly exceeded the market. The unit price of insurance premiums, despite being affected by the rate cut in January 2018, has been growing steadily by coverage expansion.

Some people are worried about the shrinking auto insurance market. However, currently, the number of vehicles owned are still on the rise. And we believe it will be possible to maintain profits for the time being. Even so, we expect the market, after quite a long period of time, will shrink due to population decline, car sharing and autonomous driving.

One of our strategies is to strive for growth in lines other than automobiles while we still have time. One of them would be specialty insurance. Packaged products for small and medium-sized enterprises have increased top line nearly 4x over the past 10 years, thanks to efforts such as partnering with the 3 commercial and industrial organizations. We believe that these results can be further expanded in the future. On the other hand, in addition to nat cat, there are also other factors that may weigh on profits such as the consumption tax hike in October and amendments to the obligation law in April next year. In light of these events, we will raise the price of automobile insurance by 3% in January next year. However, we will review the rate flexibly and secure profits while paying sufficient attention to explaining to customers.

Please turn to Page 16. Here, we will explain our strategies for a sustainable and stable growth. First, looking at the graph on the left, we will reduce the workload by 20% to 30% over the long term by thoroughly leveraging technology. We would like to reallocate the personnel and time saved through this process to support customers and local communities when they need us. For example, in the middle of the page, our penetration rates for liability and workers' compensation insurance by country. The penetration rate of specialty insurance in Japan is still low. It's necessary to deliver coverage. And by doing so, we believe this will enable us to grow further. We will not only cut business expenses but also continuously grow top line so as to lower the expense ratio and further strengthen our competitiveness, balancing growth and efficiency. This is our long-term strategy for the domestic nonlife business.

Next, I'd like to talk about our international business. Please turn to Page 17. First are the strategies for developed markets. In the United States, the world's largest insurance market, we've established specialty franchises such as Philadelphia, Delphi and TMHCC and have achieved growth and profitability that exceed the market regardless of market cycles. As a result, we are already in the top 10 in U.S. commercial lines. However, with the addition of Pure next year, we will become even stronger. We will continue to drive our growth while further reinforcing our strength.

Next on Page 18. This page shows our strategies for emerging countries. In emerging countries, we are focusing on large markets with high-growth potential. Last fiscal year, we acquired Safety in Thailand. And the subsequent PMI is going well. We will integrate operations with our existing TMITH early next year. Last year, we also made business investments into Hollard in South Africa. In this way, in addition to organic growth, we have conducted strategic M&As in order to achieve growth which exceeds the market, as you can see on the top right. We will continue to capture the high growth of these emerging countries and proceed with regional diversification.

Next, I'd like to explain our M&A strategy. Please turn to Page 19. Here on this page, we show our track record on cross-border M&As. Since 2000, we've made a full-scale entry into the reinsurance business and non-Japanese businesses. Since 2008, we have expanded our businesses in Europe and the U.S. through large-scale M&As. As I explained earlier, we've conducted 2 deals in emerging countries and announced the acquisition of the peer group in the U.S. this year. In order to optimize the portfolio, it's necessary not only to buy and acquire but also to analyze the business with a forward-looking approach and replacing it accordingly. The sale of the reinsurance subsidiary, TMR, last year is part of this effort. Strategically conducting M&As with discipline while constantly reviewing the business portfolio strategically, by repeating this process, we would like to build a better business portfolio with profit growth and diversification.

Please turn to Page 20. Here, we show the results of our bolt-on M&As since 2015. From left through right, you could see the timescale. As you can see on the right, we are blessed with good deals once again this fiscal year. Bolt-on M&As are characterized by the fact that we acquire companies and businesses that we have been in business with for many years or are familiar with. In addition, because there is a relationship of trust with the management of the company we acquire, the probability of success is high. In bolt-on M&As, of course, discipline is important and it will be necessary to reshape the portfolio in consideration of the future environment. In that respect, our company has TMHCC, which has experience and know-how in 50 deals in the past. And by sharing and utilizing this in the group, international group companies can conduct bolt-on M&As, respectively. And create a stronger business model. We believe that this is one of our strengths.

Now please turn to Page 21. Nearly 90% of our current international profits come from the United States. And the 3 North American companies we acquired are the drivers as the 3 that you can see at the top. As shown on the slide, they have achieved growth beyond the market and have steadily increased profits even after joining the group. Next year, the Pure Group will join this group and we hope to achieve further growth by combining our strengths with their customer base.

Please turn to Page 22. Here, we once again show our M&A strategy and acquisition criteria. Currently, the major premise is to firmly work on the PMI of the peer group. But on that basis, we will constantly watch the market in both developed and emerging countries for good deals that contribute to our global risk diversification and ensure that we are prepared for such opportunities when they arise by building good relationships with the target companies. Of course, as shown on the right of the slide, we will conduct disciplined acquisitions based on the same principles and strict standards as before.

Now please turn to Page 23. Fortunately, we were able to acquire competent human resources and their expertise and experience through cross-border M&A so far. By leveraging such diverse human resources and the global network and our policies and strategies, results are steadily appearing in the form of group synergies. Specifically, synergies are being demonstrated mainly in 4 areas: revenue, investment, capital and cost, which contribute to profits by approximately $310 million annually.

Finally, I would like to talk about shareholder returns. Please turn to Page 25. The company uses ESR, economic solvency ratio, as an indicator of capital soundness and implements disciplined capital policies based on it. As shown in the upper right, ESR at the end of September 2019 was 173%, almost the same level as the end of March. As you can see, over the last six months, the 30-year yen interest rate has declined 15 basis points. But by strengthening hedging operations, interest rate declines had little effect on ESR. 173% is within the target range. So there is no change in our behavior such as flexibly considering business investments, additional risk-taking and shareholder returns. Under such circumstances, we announced a capital adjustment of JPY 50 billion last week. The reason for this decision is that we have the large acquisition of the Pure Group coming up and nat cat has exceeded the average here in Japan and that this has continued for two years and that the economic environment is uncertain. We also considered future business investment opportunities. All of these factors were considered comprehensively.

For your reference, the ESR after the acquisition of the Pure Group is shown in the lower right. ESR will be 161%. But as we have already announced, we are planning to introduce hybrid capital. So this will raise the ESR to a certain extent.

Now please turn to Page 26, which explains our point of view on utilizing hybrid capital. We will continue to further diversify regions and businesses to achieve sustainable growth of portfolios in order to realize the future goal. Under such circumstances, in the past, the company has been allocating almost only its own capital to fund growth and investment risks. But in the future, in order to flexibly capture acquisition opportunities, we will think about hybrid capital as an option, which has lower capital cost. This flexible capital strategy was something we had always thought about. But it will enable us to capture further growth and improve capital efficiency in the future. As a result, we believe that ROE can be improved over the long term.

Now please turn to Page 27. The company's basic policy is to continually increase dividends through profit growth. For ordinary dividends in fiscal year 2019, the initial forecast is unchanged. And the dividends will increase for the eighth consecutive year to JPY 190 a share. In addition, regarding the judgment that led to the recent capital level adjustment, as explained earlier, the breakdown is based on opinions of investors. We decided to take a balanced approach in which half will be share buybacks and the other half onetime dividends.

Finally, please turn to Page 28. In this way, we believe that we have received a certain level of credit from the capital markets by steadily executing our management strategy. The resulting total shareholder return or TSR has far exceeded peers in the market since the establishment of holdings in 2002 or even in the last few years. In addition, EPS growth in the last five years, as shown on the right half, is plus 4.3%, which is comparable to peers.

That's all for my explanation. We will continue to strive to increase market confidence through sustainable growth and enhancing shareholder returns. I'd like to take this opportunity to ask you for your continued support. Thank you for your kind attention.

Unidentified Speaker

Thank you, Mr. Komiya. Now we would like to open the floor for Q&A. (Operator Instructions)

Questions And Answers

A - Unidentified Speaker

Mr. Muraki?

Q - Masao Muraki {BIO 3318668 <GO>}

From SMBC Nikko, my name is Muraki. I have 2 questions. First, the question is regarding Page 10. So you're going to be activating people and organizations, enhance further global management, et cetera, as your efforts. And under the new senior management team, I believe these are the points that you are focusing on as you expand your global business, the governance functions of the holding company. And also on the HR aspects, I believe you have made many changes and made enhancements. But with the senior management team, what are the specific things that you are going to be working on? And also the kind of -- the global peers that you were targeting to get closer to, what do you lack? What are the things that you still lack when you compare yourself versus those global peers?

My second question is a bit more detailed. If you go to Page 36, you did not explain this in details. But you do talk about social inflation here. And your response is impacts as well as responses to social inflation. This is a page dedicated to explain that. So in your biggest international market, which is United States, there's social inflation and also inflation with the medical cost. So what are the impact of those cost increases to your next fiscal year's earnings? Because for this fiscal year, I believe we have factored in those elements to the revised numbers. But what will be the impact to the next year's numbers? Rate increases and also the bolt-on M&As, in some cases, maybe divestments, what are the opportunities that you might be able to capture immediately? So those are my 2 questions.

A - Satoru Komiya {BIO 17943039 <GO>}

So on my first point and second point, I'd like to answer first. And then I'd like to turn to Mr. Harashima to add any words on the second point. As you have explained, we have been utilizing more and more overseas executives and overseas talent to senior management as well as to the middle management segment. And this is exactly as we have captured the business foundations and new businesses more than those. I believe this is the biggest approach that we've been able to acquire through M&A. We have been able to capture this talent. And so that is why we are saying that we want to activate people in organizations and also we want to enhance further globalized management, et cetera.

And these are the points that I would definitely like to accelerate under the new management team, specifically including overseas talent and also domestic talent. Talent management is something that we are discussing in details among the senior management, for example, in risk management, asset management, in corporate planning, et cetera, using Japanese talent, overseas talent. With Chris and Don and others, we list up the candidates. And also, we discuss how we can use this talent across the group on global scale. So at each subsidiary level, we are appointing those people from the senior class and also from the middle management class. And so we are making this list of candidates and doing the talent management. And we have had that kind of a discussion 3 or 4 times already this fiscal year. And so wherever we can, we want to be making those appointments. So this is cross-sectional, cross-subsidiary, picking talent and seeing where we have the talent and expertise. So that's one perspective. The second perspective is that the talent who will be supporting the group management on a global level and we need to be developing and nurturing such talent for the future support of the organization. So from those 2 perspectives, we are activating talent management.

Your second point about social inflation and also medical costs and loss cost inflation happening in the United States. Indeed, as I have mentioned, this is something that we need to closely monitor going forward as much as we know. So there are things that have happened in the past years and also there's also inflation happening as we speak today. And in one word, it can only be best effort. For what has happened in the past, we are looking several tens of thousands policies and we are reserving as needed for -- against those policies. And for the current year, for the current policies that we're underwriting, we are monitoring them closely. And we are considering putting the limit, the rate increases, underwriting discipline, making decisions about underwriting itself sometimes. In any case, we are very much bottom line oriented and we are working on the issue. So it's best effort. And we need to be reserving and we need to be putting other measures. And on the topic of social inflation, it's something that we need to keep our eyes on and see where it goes. So that will be our forward-looking countermeasures against the issue.

On the medical cost, at HCC, we do have some businesses exposed to medical costs. And since last year, we have seen some surge in the medical costs. And therefore, for last year and this year, we are looking at the loss cost increase. But we are also increasing the rate to overcome the cost increase. And we will continue with that direction with rate increases for next year and after. So right now, we're only doing this on a best effort basis. And so whatever is happening now, we have taken some forward-looking measures but we don't really know where it's going to end up or where it's going -- how it's going to resolve. It's difficult for me to be saying that right now. But on this topic, I'd like to ask Mr. Harashima to add some words.

A - Akira Harashima {BIO 18946450 <GO>}

This is Harashima speaking. Let me just add a few words to the topic. As Muraki-san questioned, there's social inflation. There's medical cost increase. And I'd like to separate these 2 issues as I answer your question. On Page 36, if you turn to Page 36, social inflation situation, the impact and the initiatives are written here. On social inflation, there are various impacts that we are seeing. Especially within Tokio Marine Group, the Philadelphia's underwriting is receiving some impact coming from social inflation. Social inflation, the magnitude of the impact is different for different lines of business. And also this is not an economic loss. But this is a lot of times a noneconomic loss such as the liability. And Philadelphia is one area where it's receiving some impacts from this. There isn't much impact to Delphi and/or Tokio Marine HCC. To Philadelphia, due to social inflation, there is a lot of the claims being inflated and also more lawsuits taking place. And we have reviewed the case reserve and we are also looking at the overall balance of the reserve to see if it's adequate. We are almost over with that effort and we have been able to factor that into this year's forecast based on what we have discovered. And for the rest of the work that has to be done, we are doing the work so that we will be complete with it by the end of this year.

As for the most recent underwriting, as Komiya-san explained, rate increase has happened. For this year, every month, we are increasing the rates even more. On the lower right, you can see that we have been lowering the limit. And so we are reducing product lines with low profitability, et cetera, as part of the measures. So for this year's underwriting, we are taking adequate measures against the situation. And as of now, towards the end of the year, we do not -- we have not recognized a need to be adding the reserve. But then we will be reviewing the reserve for the entire policy base that we have and we will be finished with that by the end of this year. And so the social inflation situation is something that we need to keep our eyes on.

As for the medical cost inflation issue, medical cost itself is inflating more so than the general inflation in the United States. And HCC is seeing some impact coming from this phenomenon. HCC has a medical stop-loss insurance underwriting business. And when the general medical cost goes up due to inflation due to Obamacare impact, the need for corporations to pay for the medical cost of its employees per head cannot have a limit. So the limit has been bound. And as a result, there are some expensive medical bills that are being written. And this is something that is having an impact to HCC's medical stop-loss business. We have done some major rate increases to account the situation such as double-digit rate increase and also changing the underwriting standards for the medical stop loss, et cetera. And these are the measures that we have taken.

Q - Unidentified Participant

On the first point, if you have an idea, let me know because your profit, the 50% of your profit comes from overseas. Among the Japanese financial institutions, this is quite high. And in terms of utilizing the talent, any references or any other financial institutions that we are referring to, any company that you are analyzing so that you can emulate after them?

A - Satoru Komiya {BIO 17943039 <GO>}

Muraki-san did mention that based on the peer situation. Well specifically, there is not a peer company that we are analyzing or trying to emulate. So for the entire business, if there is a good example from a peer, even parts of it or entirely, unfortunately, we don't have such a peer that's somebody we can emulate entirely. We have to think about how we can globalize the entire group as Tokio Marine. And from time to time, we just have to throw out our wisdom in trying to propel the business. So to answer your question, there is no specific company that we are trying to emulate. But the organization and also types of talent the companies may have, those we do some research and we look after. But it's not that we follow any specific rule as done by a company. As you mentioned, social inflation and medical cost, we have expanded our realm of business. And the environment is also changing drastically based on that.

We do get impacted on many aspects here and there. And we have to accept those impacts. The important thing is that we have a full grasp of the idea and the issue. And we are working on those issues. And we are trying to resolve those issues. And once we have overcome those issues, the group companies who have been exposed to the issue will become stronger. And we have to allow some room to work on those issues. To do so, we need to have strong business base. And it allows us to tackle on those issues because we have a well-diversified portfolio because each company is very good. And all of them have good talent. So based on what they do, we need to support those subsidiaries. I have always been telling them that whatever happens and whenever you need us, we will always support you. So in each business area, we have areas of specialties. And we have a lot of network. And so as long as we gather the wisdom from different corners of the group, we are able to build a very strong team to resolve any issue. And so if any subsidiary is having a problem, we will be extending support to that company from different parts of the group.

A - Unidentified Speaker

Sato-san, please.

Q - Koki Sato {BIO 19983862 <GO>}

I'm Sato from Mizuho. I have 2 questions from myself. One is on Page 25. With regards to your capital policy, especially ESR related. For March 2019, interest rates due to this decline, the level went down. And at the Investor Relations level, you were saying that taking out restricted capital, you haven't really been impacted as much. That was your explanation. So currently, the ESR you disclosed and when you're designing on capital policies internally, the ESR you are looking at internally, I was wondering if there's a gap between the 2. So in short, do you believe that the current definition is the most appropriate or not?

So my second question is related to Page 22. I'm looking at Page 22. You have announced the acquisition of the Pure Group. And I was wondering if it satisfies the return standards that the shareholders are looking for. So in short, with regards to the hurdle rate, how much of excess return are you expecting from this deal? And also, the P/E ratio is high. But the capital burden is low, which means that goodwill turns out to be high -- relatively high. And I could believe that for the next 2 to three years that the profit contribution is going to be relatively low. And the risk diversification impact will be slightly low as well. However, ESR will be depressed. So if a similar deal were to arise going forward, how would you approach it and balance with ESR in your discipline? You don't really include a capital ratio. So I was wondering how you look at this. Please share with us your view.

A - Satoru Komiya {BIO 17943039 <GO>}

Thank you very much for your question. So you asked a question about ESR in relationship with Pure. Thank you for your question. First of all, for ESR, our point of view is shown in the presentation. Currently, the guide that we share with you is what we put at the core of our decisions. But I'm not saying this happens automatically. So my answer would be, yes, this is the definition that we have at the core when we consider our policies. And with this, if it's within range, we will take new risks or make additional new business investments. And if there are no opportunities available, we will opt for capital adjustments.

And for Pure, the second part of your question, Mr. Harashima will also follow-up on my comments later on. But our broad point of view is Pure is a company that mainly generates a fee income. So it's new for us. And the market is growing substantially. And this company is growing substantially as well. And with regards to how we view the valuation around the company, of course, internally, we had debates and discussions around it. Currently, our view is that Pure has this extremely strong business model and has been showing a great track record. And based on our valuations, based on discounted cash flow, we believe that we are able to secure good profits based off net present value. So compared to a traditional P&C company, it might look like the valuations are high. And of course, goodwill is relatively higher. And we are fully aware about that. But we are looking at the plans conservatively. And even if it were to go downwards we are -- we've made a decision that there will be no future impairments even so.

So the company is growing right now. And currently, it's going to be a single billions of yen. But by 2020, it will probably be double-digit billions. And if thing goes in line with plan, we are expecting the business to grow substantially. And the PV ratio is expected to decline. And for like companies, if we were to go after those opportunities in the future, we will apply these standards. And we believe these standards are appropriate.

In addition to that, it's not included in valuations. But what the Pure has, meaning its possibilities and potential that the company targets high net worth individuals. And they have strong services that are being offered. And with regards to the services, we are looking forward to incorporating what Pure has into our other business units.

So that would be my response. But I'd like Mr. Harashima to follow up if he has any comments.

A - Akira Harashima {BIO 18946450 <GO>}

Yes, I would like to follow up on his comments. Like mentioned earlier, on Page 22, in order to maintain discipline, we have strict standards in place with regards to the Pure acquisition, we have applied these standards as well, a strict acquisition criteria. Regarding hurdle rates, we have utilized our standards to calculate economic value. And for Pure's return, we believe it can sufficiently respond and satisfy shareholder expectations.

And as Mr. Komiya explained earlier, for -- on Pages 5 and 6, the strategic significance of the deal is mentioned. It has a low capital burden. And it is an excellent fee business model. And it has high growth potential. So like mentioned earlier, we believe we'll be able to respond to shareholder expectations through the acquisition.

Also, as we show on Page 6, overlap with our existing businesses is limited. And also in North America, when you look at our other group companies, we can expect some synergies to be generated. So on a group-wide basis, we believe that value can increase even further with the acquisition of the Pure Group.

Mr. Yuasa, our CFO, would like to also comment.

A - Takayuki Yuasa {BIO 17941516 <GO>}

Yes. For hurdle rate criteria, basically, as you could see here, cost -- capital cost plus the domestic and international interest rate difference is being accounted for. And currently, capital cost is 7%. And by deal, we apply these standards. But then we're able to diversify within the group. So when you put that into account, the rates can become higher. So we believe the amount for this deal is reasonable.

Q - Koki Sato {BIO 19983862 <GO>}

I would like you to comment a little more on my second question. So with the Pure acquisition, even with subordinated bonds of JPY 100 billion, ESR is going to come down by 8 points. So you're saying reasonable price, high-growth potential. But if you were to buy double, it will go down even more. So I was wondering about the decline of ESR. If it's going to stay within your target range, I guess the priority isn't that high.

A - Takayuki Yuasa {BIO 17941516 <GO>}

If it's within the range, to your point, that is the type of behavior we will pursue when it comes to use of capital. Does anyone have anything to add?

A - Satoru Komiya {BIO 17943039 <GO>}

Yes. If it's within our range, our target range, that is -- what page was it on? As we show on Page 25, business -- additional business investments as well as additional risk-taking as well as shareholder returns will be flexibly considered. That would be what the range entails. So it's not a matter of how much it climbs to a degree. But of course, going forward, with regards to new business investment opportunities that we consider, if ESR were to go down to the lower range, we will think about its impact. And we might start entering profit accumulation fees. And we will put that into consideration. But like we have done in the past, going down as low -- to the lower range is something that may happen. It really depends on future profit accumulation. And if we have any business investment opportunities that we have at hand, we will consider the impact that it is likely to have on ESR.

A - Unidentified Speaker

Ms. Tsujino?

Q - Natsumu Tsujino {BIO 2234779 <GO>}

From Morgan Stanley, my name is Tsujino. I have 2 questions. My first question about ESR and also capital adjustment. Regarding capital adjustment, this time. So JPY 300 billion is what you have spent on acquisition. And you're now procuring this entire amount is hybrid. But let's say you acquire JPY 200 billion. And then the economic value capital that you have, the percentage of the hybrid is only 6% to 7% probably. And the average overseas is about the normal ranges like 15%. Some companies have like 25% encumbered capital. It's not rare. Therefore, to you, JPY 700 billion to JPY 800 billion of hybrid bond procurement should -- could be done in order to buy more companies. You could do that. So when there is an opportunity for a large M&A in front of you, you might consider that. Then gradually, are you trying to change your capital structure? Is that what's on your mind? So that's my first question.

My second question is, if so, such large changes to your capital structure, when you have that in mind, the capital adjustment, the amount you're spending which is JPY 100 billion or JPY 50 billion each year because every year in November, we look forward to the news of this amount. But then what does it mean? So for two years, you spend JPY 100 billion for 2 consecutive years. But then this time, it's JPY 50 billion. So you gave us 3 reasons. But then the latter 2 reasons you gave, they will continue because you did have 2 consecutive years of natural catastrophes. Next year, nobody think it's going to go back to normal. So we understand that very well. And you have more that you have -- that you want to buy. And the largest one, of course, being Pure. But then there should be more. So in the second half and so for the full year, when you think about the finishing of the fiscal year, how would you think about your capital? Can you give us any ideas or any colors on how you want to manage your capital towards the end of the year?

The second (sic) (third) question is very simple. It's about fire insurance. Your increasing rate -- I know you will be increasing rate for fire. But then what is the rate difference for different prefectures? Is that possible? Do you think that you need to change the system so that you can give different rates to different prefectures? I know you're not in the position to decide that. But then looking at the auto insurance from about mid-2000, you have always had a problem regarding auto insurance. You took time. But then ultimately, it ended up being changing the driver rating system with accident and without accident scheme. And so the system does get changed sometimes in this country. So when something like this is happening, such as natural catastrophes, the entire scheme change, do you think it's going to happen? You might not be able to answer the question in this room today. But if you have any ideas on whether there will be any schematic changes to the fire insurance, I'd like to know.

A - Satoru Komiya {BIO 17943039 <GO>}

So the first question is about the ESR. And I might not be able to answer everything. So Mr. Yuasa is going to follow up. On the second point, I will answer first. And then I will ask Kawaguchi-san in charge of products to add any words.

So on the topic of ESR, we had just worked -- used our capital to -- and so the hybrid capital out of the total capital was only about 3%. And about the purpose itself, we wanted to do business investment in a flexible manner. That was our ultimate aim. And so based on that, what will be the optimum percentage of the hybrid capital, it's not that we have a preference or a goal in terms of the percentage. However, needless to say, the bigger it gets, if it's too large, it brings a concern from a financial soundness perspective. And as an insurance company, that's an important point, keeping financial soundness. And so we have to be careful on that point as well. And so what we refer to, what we benchmark to, we look at the peers. That is, I guess, a reference or a benchmark. We look at them, too. But then it's not that we want to copy them or achieve the same level. And so we are slowly taking the first step in increasing the hybrid capital.

And in relationship to shareholder return, recapping and also doing shareholder return is not an idea that we really have. And so this 3 business investment, we want to enhance corporate value. And then we want to drive profit. So recapitalization is not something that we have on our mind as we speak. So within the framework, we have ESR at the center. And we will not do it mechanically. But ESR will always be at the center. Then we look at how much room we have for further acquisitions. And we will consider various assumptions, including the hybrid capital that we have announced.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

On the first point, can you please add some words on the point of ESR?

A - Takayuki Yuasa {BIO 17941516 <GO>}

He has pretty much said everything. But it's not that we have a clear target level. But it's important -- but we did have some room to bring in hybrid capital. So specifically, we were considering future opportunities such as M&A. And we want to be raising the hybrid capital ratio in the future. And last year, the year before, it was JPY 100 billion. This year, it's JPY 50 billion. Why? Considering the environment and the situation, it's not that we have a target number. But we have been saying 150% to 210% as our range for the ESR. And in the past two years, it was rather high. But then right now, we are in the lower half of that range. And we acquired Pure. And it's not that we are paying for the entire amount with hybrid capital procurement. And although we are within the range, we have been hit with 2 consecutive years of large typhoons. I don't know if there will be another one next year. But compared to the past, the situation is changing indeed as we feel. So considering those issues, we have decided to allocate lower amount for capital adjustment. I know I'm not adding much information to that. But whenever we make a decision, we make a comprehensive decision by looking at the environment and various factors.

A - Satoru Komiya {BIO 17943039 <GO>}

Thank you very much. Even after the new senior management team was formed, we have a consistent idea. We always have ESR at its center and make decisions accordingly regarding capital adjustment.

About the fire insurance, for natural catastrophes, we had 2 consecutive years of large natural catastrophe events. And I know there are various views on that. But because we are an insurance company to natural catastrophes, we need to change our stance towards natural catastrophes a little bit compared to the past. And so the fire insurance scheme must be robust. And as long as we are in the insurance business, no matter what happens, we have to commit to the promises we made to our policyholders. Those are important things for us.

So to natural catastrophes, from various perspectives, we have to rethink about the fire insurance scheme. Let me just -- there are some which are just discussing different topics.

There are some that can be decided to buy an independent company and others that must be decided on the industry level. One is that within natural catastrophes, there are many disaster-stricken victims who are living hard lives. And how we pay the claims quickly, we have to think about that. We will be using technology. And as soon as possible, we want to be paying the claim so that they can use the money to rebuild their lives from tomorrow. And so delivering claims as soon as possible is an important mission for us. And that's something we're working on.

Another is the product. And so the level of the rate is one issue, also how we underwrite is another. And also the product itself is also one area that we have to look at. And also the scheme, the insurance, the scheme. And so the scheme has to be robust so that everybody will be protected. And there are things we can do as a company and also as the industry, how do we reserve for the catastrophe loss reserve.

For the same purpose, there is a reinsurance program, which we review each year. And so to protect us further, what are the things that we can do? We look at the economic rationale and look at the reinsurance schemes and natural catastrophes. Of course, if we can live without natural catastrophes, it's good. And even if there are natural catastrophes, if the impact is small, that's better. And whenever some damage happens, if it's a damage that can easily be restored, that's better for us. But whenever there is actual damage, we must be responding to those damages. So as an insurance company or as an insurance individual company, there are responsibilities that we must serve and data, idea, know-how and our ideas can be of use to the industry. So perhaps some discussion can take place among the related parties in this industry. The rate increases and cost reduction and others, there are things that can be done by an individual company. And we will start with the things that we can on our own.

About information provisioning, about the information that we hold to our policyholders, we need to be providing more information to them. And also those people who will become customers and also to the citizens in general, we -- maybe we have to think about how we can provide information to them. I said that the beginning of our effort is not to divert our eyes from the disastrous events. So we have to look at them from the front. And we have to grasp the business risk we hold. And we have to think about diversifying them so that we will have a robust management platform. And we need to work on these areas more so than we had in the past.

On that point, can Kawaguchi-san add any words from the product point of view?

A - Shingo Kawaguchi {BIO 5768643 <GO>}

The intent of your question, I believe, was the rating system, it's prefecture by prefecture. And is there a need to change that prefecture-by-prefecture rating scheme? The fire insurance rating scheme is just advisory rate by the rating agency. And basically, we adhere to the advisory rate in setting the premium rate for fire insurance. As you have mentioned, because we are seeing the enlargement of natural catastrophes and also because of the aging of buildings in Japan, more so than ever, we are more prone to damages by natural catastrophes than in the past. And therefore, about this new risk trend, we'll have -- perhaps, we need a new rating scheme. And also to secure the fairness among the policyholders, there has to be more detail, the risk pricing to the premium rate. And I believe this is an industry issue. And to the rating agency, we are putting some requests. And the rating agency have started some considerations over those proposals. But it's only an advisory rate. And so as an insurance company, in an advanced manner, it is possible to respond to some measures without waiting for the advisory rate to be issued from the rating agency. And that is our policy. So while we have that in mind, we would like to think about what a new scheme could be for fire insurance.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

On the first point, in May, when you think about the capital adjustment, on the 3 points, you consider the latter 2. And those 2 points will procrastinate going forward. So when you consider this next year in May, would you still have those issues in mind?

A - Satoru Komiya {BIO 17943039 <GO>}

Yes.

A - Unidentified Speaker

Watanabe-san, please.

Q - Kazuki Watanabe {BIO 15948747 <GO>}

I'm Watanabe from Daiwa. I have 2 questions. The first question is regarding fire insurance. It might be overlapping. So you were saying you need to be sound at the product level. But with regards to the combined ratio for fire insurance, what should the target be? And when should the time line be to achieve it?

And you were saying you're going to consider fire insurance from many ways. But how about reciprocal approaches, which is some expertise that your acquired company has?

Also, Page 27, where you talk about shareholder return, for payout ratios, you would like to increase it in phases so that it's comparable to global peers. And nat cat impact has continued for two years and the adjusted net profit level has went down. And therefore, the payout ratio had increased. So with regards to increasing the payout ratio in phases, can you share us on how you are going to do that in detail and its downward rigidity?

A - Satoru Komiya {BIO 17943039 <GO>}

So myself and Kawaguchi-san will take your first question. And the second question will be responded to you by myself and Mr. Yuasa.

Relatively speaking, the combined ratio for fire insurance is not at a good level right now. That's how we view it. It is not sufficient. So there are some rates that we have not yet been able to secure. So with regards to advisory rates and by the ratings agency, losses are currently in the trend of deteriorating based off past policies. So there may be areas where we can't secure a good level. So we would like to focus on efforts that we can employ internally and also communicate with our customers. And like we asked, for this fiscal year, we will continue to increase rates. And as a result, we would like to improve the combined ratio. So the direction is exactly moving towards that direction. However, with regards to the time it's going to take, with regards to percentage targets by fiscal year, we think that deciding on that is not realistic because it is associated with the actual rate increases we are considering on taking. So unfortunately, I'm not able to give a clear answer on the time line of how we're going to improve the combined ratio.

Mr. Kawaguchi, do you have anything to add?

A - Shingo Kawaguchi {BIO 5768643 <GO>}

As you know, in the revisions in October, due to the revision in October for fire insurance, a JPY 16 billion profit improvement has -- is what we're anticipating. For fire insurance, it is a long-term contract. So it takes a certain level of time for the impact to come through. So with regards to the JPY 16 billion impact, about 50% is expected to come through at the end of 2020 and 80% second in the second year. So if this impact is brought about for the combined ratio together with other lines, we believe that it can steadily be below 95%, or at least, we're going to draw near that level. However, for fire insurance, our KPI is not the combined ratio because it requires a lot of capital. So the return on risk -- we use ROR to manage this line. To that extent, the recent revision is not enough. We need to be focused more on capital cost and try to reach or exceed ROR going forward. And further rate revisions are something we would like to consider for that purpose.

For Pure and the reciprocal method that you also inquired about, currently, we don't have any details around it. But after we complete the acquisition, we would like to communicate with Pure to see whether we could refer to something that they already have. Yes, focusing on ROR. And we'll look into reciprocal. Thank you very much.

A - Satoru Komiya {BIO 17943039 <GO>}

So moving on to payout ratio, which is your second question. Like we've been communicating, for ordinary dividends, average adjusted net profits is the base. And we will aim for 35% or more. And we will grow it in phases. So from the beginning of the year, on a single year basis, adjusted net profits have been coming down. So average adjusted net profits have been coming down as well. But on the other hand, there are some factors that are one-offs, such as nat cat impact. So when you put that into account, we have decided to maintain JPY 95 a share. And initially, the payout ratio was 38%. And as a result, due to this change, it is going to increase to 40%. So when you think about the factors why the payout ratio is going up, we have decided to maintain the dividend and ensure that dividend increase for the eighth consecutive year. So with regards to increasing it in phases, our group has a future vision. JPY 500 billion net adjusted profit, ROE 12%. We would like to still grow and reach that level, first of all. So with those assumptions in place, we would like to think about shareholder return.

Mr. Yuasa, do you have anything to add?

A - Takayuki Yuasa {BIO 17941516 <GO>}

Yes. Mr. Komiya pretty much talked about the basic policy. With regards to downward rigidity that you mentioned, on the beginning of year forecast, obviously, every year, our profits fluctuate and change. So if dividend payout ratios were to rise substantially for a given year, that would not be standard or criteria for us. It's basically based off the forecast at the beginning of the year. And based off the beginning of your forecast, we would like to grow it in phases. I hope it answers your question.

A - Unidentified Speaker

Mr. Majima?

Q - Tatsuo Majima {BIO 15338044 <GO>}

From Tokai Tokyo Securities. My name is Majima. You were talking about M&A. In May meeting, I believe you said that you will be targeting Southeast Asia as the next area of M&A. But then as it turned out, you got another company in North America. So the North American acquisition that you have done this time, according to this material, it looks like you have all the pieces necessary for your North American business. So Pure on your M&A candidate list, what was the ranking of Pure within your candidate list of M&As? And also talking about the capital, it sounds like you will still be looking for more M&A opportunities. So I guess next is it Southeast Asia? That's my first question.

My second question is -- it was not mentioned here. But on 62 -- Page 62, when the CEO was appointed, this is digitization that you have explained in the past and you were focusing on. There is WHILL and also Metromile, some of the names mentioned here on Page 62. Which are the companies -- or what kind of collaborations are you trying to seek among these members can you add somewhat to your digital effort?

A - Satoru Komiya {BIO 17943039 <GO>}

On the first point, I will answer. Then on the second point, from our CTO, Mr. Okada is going to answer your question.

So on the first point, as we have been saying, M&A to us is not the purpose itself. But it's the means. And we are doing so because we want to diversify risk. And we want to make our business platform even more robust. And so it's a means. But not the aim itself. So if there is a good opportunity, we will try to catch it. Therefore, basically, we ask for organic growth to be achieved by each company, making their -- meeting the financial goals. And that is the assumption before getting into M&A.

Regarding the Europe and North American market, rather than telling you the ranking on our list, within the Western regions, we have a strategic map. And we always talk about which companies are good. We don't really prioritize them as this is #1, this is #2. We just talk about what are the attractive aspects of certain companies. Is it a company that we can consider as M&A? Pure happen to be a company that had been on our watch list for a long time. And we were talking about what if we were able to take this company into our group, it would be good. And so I can't tell you the ranking. But it was a company that was our favorite name on the list.

Whether if it's North America, Europe or Asia, again, from the risk diversification point of view, which is our big game in doing M&A. And we want to also capture the growth potential. So it so happens that our portfolio has a large proportion in North America and Europe. In emerging markets, including Asia, its relative weight is smaller. And we don't have a goal percentage in between the 2, of course. But we also want to expand the business in both regions.

When it comes to emerging market or Asia, we don't necessarily prioritize them. We don't prioritize any regions. But as long as there is a good company and as long as there is a chance for us to buy, we will consider it. So we are hoping that such prime opportunities come across and be realized in the Southeast Asian region and in the other emerging markets. Thank you.

And the second question?

A - Makoto Okada {BIO 19818959 <GO>}

So on Page 62, I'd like to elaborate more on our digital strategy. And I believe the question was whether if there are any companies or efforts of focus that is worth mentioning here. Regarding our digital strategy, for the past few years, we have been promoting digital strategy. And in order to improve efficiency and discovering new channels, we have been doing a lot of things. But we have to respond to the societal issues and societal problems to be resolved by digital strategy.

Some of the areas of focus are seniors, health care and mobility and cybersecurity and natural catastrophes. So those are the 5 areas of focus that we have recently.

This year in March, on 62 on the left, there is a company called Medical Note. We have invested in this Medical Note. And they have become quite famous. They have about 15 million users or subscribers. And they provide medical information platform to the members. And with this company, we are creating platforms. And also we're discussing about products. And there are various things under consideration with Medical Note. So this is a health care area. A representative company for this year is Medical Note. I'd like to mention that.

Also on the lower right, there's a company called WHILL. This company makes electric wheelchair. It was reported in the media a lot. And in August this year, we made an investment. And we have signed an alliance with WHILL. What this means is 2 things over the 5 areas of focus. One area of focus was senior. And we are entering into a super aging society. And capturing mobility is important in this society. So we wanted to think about what we can do. And also, mobility is another area within the 5 in mass, what kind of insurance products and services can we provide in the mass environment at the airports and hospitals. We are doing various feasibility studies. And we are trying to seek a way to get into the mass service. I hope that answered your question.

A - Unidentified Speaker

Unfortunately, we are drawing close to the end of our time. So Otsuka-san's question will be the last.

Q - Wataru Otsuka {BIO 16340098 <GO>}

I have just one question. My name is Otsuka from JPMorgan. It's an abstract question. On Pages 3 and 4, when I look at these pages, basically, your management has changed that you explained at the beginning of your presentation. Just wanted to ask, what has changed upon the management change? Or what is going to change? Or what would you want to change? I was able to understand your presentation. But can you take a deeper dive into this?

And in your presentation, you were talking about speed. And it seems that you have a focus on speed. And I'm sure there's a lot of things that you don't have to change necessarily. But ever since you became CEO, what are areas that you feel that you need to change, if any? Please share your views with us.

A - Satoru Komiya {BIO 17943039 <GO>}

Thank you for your question. There are 3 pillars in my heart. This is something I would like to share. It's on Page 10. So with regards to my management strategy and a policy, broadly speaking, we are not going to change it. And for growth strategy and our thoughts on shareholder return, this is something we would like to be consistent about, we're not going to change it. But I do believe we need to accelerate our efforts. So that's where speed comes in.

And the 3 pillars are shown on Page 10. In order to become a global company, we would like to reinforce each and every function we have and accelerate our efforts in doing so and also activate people and organizations or leverage digital so that we could reinforce our R&D so -- in order to generate material results.

But I think what I think is most important is as we've developed our business to where we are right now, we need to ensure that our profits grow sustainably. And we talked about nat cat today. But it applies to that. But diversifying our risk is critical. However, we believe it's still not sufficient. So to that end, we need to accelerate our efforts so that we could achieve our goals. And in order to do so, in promoting our business, people are the most critical. So we need to develop our people, or we need to turn into an organization that can leverage our people even more.

So accelerate our efforts with speed, transform ourselves so that we could grow our business and grow our profits. But more than that, develop our people who will support our business so that we can optimally leverage our people. So that will be our most important area. And by doing so, we would like to ensure our business grows. That is my basic way of thinking. I hope that answers your question.

Q - Wataru Otsuka {BIO 16340098 <GO>}

You are also in charge of group culture. So I guess that's the reason why you gave me such a response.

A - Satoru Komiya {BIO 17943039 <GO>}

Yes. That is correct. Thank you very much.

A - Unidentified Speaker

This concludes today's IR meeting. Executives will be remaining in the room for a while. So if you have any additional questions, please approach them. Thank you very much for your time today.