

MS & AD Insurance Group Holdings Conference Call (March 28, 2025)
Merger of the Group's Core Non-Life Insurance Companies - Q&A Summary

The following abbreviations of company names are used in this document.

MSI: Mitsui Sumitomo Insurance Co., Ltd.

ADI: Aioi Nissay Dowa Insurance Co., Ltd.

Q1:	Please tell us your current expectations regarding the top line outlook. So far, you have chosen reorganization by function, considering the impact on share adjustments and territorial systems. While I understand that these assumptions may change, I would like to know if there is a possibility of a downside due to the merger, or if you can maintain the current scale due to amendments in the Insurance Business Act and corrections in past trade practices.
A1:	<p>At present, we believe that we should be able to maintain the top line. In the past, there were share adjustments due to mergers of domestic non-life insurance companies, so we anticipate some level of share adjustments might occur. However, we expect it won't be significant compared to past cases. This is because, the industry practice of determining underwriting shares based on the percentage of policyholder's stock has disappeared, and there will be a shift toward transactions based on insurance policy rates, underwriting conditions, or capacity.</p> <p>If car dealership agencies thoroughly implement comparative recommended sales for customers, there is a higher possibility that they will choose non-life insurance companies with larger shares when narrowing down business partners. In this case, we believe that increasing the share through the merger will have a positive effect. Therefore, overall, we think we can maintain the top line.</p>
Q2:	10 years ago, voluntary retirements were carried out during management integrations at other companies. On the other hand, there is about a 1-million-yen difference in average salary between MSI employees and ADI employees. If you align salaries to the higher side, I suspect personnel expense is going up. Is this assumption correct?
A2:	<p>Compared to other groups, there is a room for efficiency due to overlapping functions, locations, and personnel. We will consider how to improve management efficiency moving forward.</p> <p>As you pointed out, there is a difference in the salary levels between MSI and ADI, which will be aligned through the merger. Since we will not be able to match the lower level, we will generally align with the higher level. Consequently, personnel expense per person will increase, but we believe that pursuing efficiency will lead to a reduction in overall personnel expense.</p>
Q3:	In relation to shareholder returns, when one-off costs from the merger arise, how would you treat such costs in the calculation of the group adjusted profit?
A3:	It has not been decided yet. Although we are not committing to anything, referring to our past approach, it might be treated as an adjustment item.
Q4:	I believe a new position for overseeing the directly-owned agency strategy was established in last month's personnel changes at MSI. Please explain what this directly-owned agency strategy signifies in the environmental changes your company anticipates.

A4:	<p>We believe the role of agencies will change significantly in the future. Large independent agencies, in particular, will be required to autonomously conduct customer-oriented business operations such as comparative recommendations.</p> <p>While we will support the autonomy of agencies, there will likely be some that struggle to adapt the changes. For such cases, utilizing directly-owned agencies to support them, or having them operate under our directly-owned agencies to maintain our quality, will become a viable option.</p>
Q5:	Do you have any current estimates regarding the short-term integration costs and long-term cost savings related to the merger?
A5:	We have internal estimates for short-term costs and long-term cost-saving projections related to the merger, but they are not yet accurate enough to disclose externally, so please bear with us for the time being.
Q6:	Has competition between MSI and ADI been intense until now? If the merger alleviates the excessive competition, I think it will have a positive impact on the industry as a whole.
A6:	Our basic stance is that competition between group companies is not productive. However, it can not be denied that there has been localized competition between MSI and ADI. Therefore, we view the elimination of such unproductive rivalry as one of the positive effects of the merger.
Q7:	You mentioned that you aim for growth worthy of being a top market-share company. Could you provide insights into what particular changes could occur as the result of the merger of the two companies?
A7:	<p>In the future, we expect to compete with other companies in commercial/corporate insurance more than ever based on rates, underwriting conditions, and capacity. The capacity we can offer will impact the competitiveness in underwriting. Therefore, our merger should contribute to enhancing our competitive edge.</p> <p>Moreover, neither MSI nor ADI currently holds the top share in any prefecture, being the third and fourth companies respectively overall. However, post-merger, we estimate that we will be number one overall, and hold the top share in 27 prefectures. Holding the top share in each region could lead to both tangible and intangible advantages in expanding the top line. For example, there is a possibility that brand recognition among general consumers will increase, and we are likely to be the first point of consultation when something happens in that region, which could lead to an expansion of insurance contracts, resulting in positive effects.</p>
Q8:	Can you expect volume discounts in reinsurance purchasing after the merger?
A8:	When MSI and ADI purchase reinsurance separately, premiums are determined individually. However, we believe that we can expect volume discounts if the reinsurance program is integrated through the merger.
Q9:	Will the merger weaken the relationship with Toyota and Nippon Life? Can you tell us about the negative impact of the dissolution of cross-shareholdings?

A9:	Our relationship with major shareholders is built through various transactions, not just cross-shareholdings, and strong relationships have been maintained during past mergers. We anticipate no negative impact as we will proceed with sufficient discussions regarding the sale of strategic equities.
Q10:	Will there actually be a movement among agencies to narrow down insurance companies based on topline share, as explained in the background of the merger decision? Is there any risk associated with making such a significant decision based on this assumption?
A10:	We anticipate that, in the evolving competitive environment, there will be a trend of agencies narrowing down their partner non-life insurance companies. Along with other changes in industry practices and the environment we foresee, we decided on the merger.
Q11:	There can be governance issues in general if major shareholders have too much influence. Should we expect that this merger will lessen the influence of major shareholders and that the interests of shareholders other than major ones will be more respected than before?
A11:	Our basic stance is to consider the interests of all shareholders. Your question made me think that this may not be the case from an external perspective, but we have always aimed to equally provide benefits to all shareholders and will continue to do so.
Q12:	Regarding the operating expense ratio, there is currently a slight difference of just over one point compared to the company with the lowest operating expense ratio. As that company is changing its sales methods and transforming its relationships with agencies, we believe there are many things your company must undertake. If the merger presents an opportunity, to what extent is the reduction of the operating expense ratio targeted?
A12:	While we share the basic IT system, each company has developed its own IT systems, resulting in inefficiencies in system structures. By integrating these, we expect greater efficiency than ever before. Additionally, there are overlaps in headquarters departments and locations, providing many opportunities to reduce operating expenses. We are also working on optimizing sales channels, so we believe significant improvements in the operating expense ratio is achievable. Slide P.4 shows the line graphs of net expense ratio for MSI and ADI. We aim to move as close as possible to the lower end, rather than simply averaging the ratios of the two companies.

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