

MS&AD Holdings Conference Call (May 20, 2024)
FY2023 Full Year Results Briefing - 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.

MSA Life :Mitsui Sumitomo Aioi Life Co., Ltd.

MSP Life: Mitsui Sumitomo Primary Life Co., Ltd.

MS Amlin: Total of AUL, MS Re, AISE, ACS and other businesses

AUL(MS Amlin Underwriting Limited), MS Re (MS Reinsurance†),

AISE(MS Amlin Insurance SE), ACS(MS Amlin Corporate Services Limited)

†: Brand name launched by MS Amlin AG in September 2022

MS Transverse : Transverse Insurance Group, LLC and group companies

Q1:	Please explain how quickly you are going to divest from strategic equity holdings in FY2024 and onwards.	
A1:	The speed of divesting strategic equity holdings in and after FY2024 together with how we reallocate cash from the sale of such holdings will be announced at the Information Meeting next week. The total amount sold, which is factored into the FY2024 earnings forecast, is 675.0 billion yen, MSI and ADI combined.	
	SQ1:	How much gain would you expect from the sale of 675.0 billion yen?
	SA1:	Gain on the sale is expected to be approximately 550.0 billion yen.
Q2:	How have issuers so far responded when MSI and ADI offer the divestment of the strategic equity holdings?	
A2:	Responses of the issuers vary. MSI and ADI have been providing detailed explanations and aim to obtain consent of divesting all the stocks at the earliest possible stage from the issuers.	
Q3:	Would the share buyback of 190.0 billion yen be linked to the dissolution of cross-shareholding with MS&AD's largest shareholder?	
A3:	We refrain from disclosing how our negotiation goes with specific shareholders.	
	SQ1:	Do you have a plan to utilize share buybacks in case of significant selling pressure due to dissolution of cross-shareholdings?
	SA1:	Yes, we consider various options including share buybacks and public offerings.

Q4:	Please provide some more information regarding the losses due to the sale of bonds and extraordinary losses that you anticipate in the FY2024 plan at MSA Life
A4:	As stated on page 32, we expect the loss of approximately 66.0 billion yen before tax (50 billion yen after tax) due to the sale of bonds held by MSI, ADI, and MSA Life to be . These figures have been reflected to the GAAP statements but not to the group adjusted profit.
	SQ1: On page 45, you expect special losses of 17.0 billion yen on a MSI and ADI combined basis Is this also related to the replacement of bonds.?
	SA1: This "Extraordinary loss" is not related to bond replacement. This figure is due to provisions of price fluctuation reserve for MSI, impairment of fixed assets, decrease in value of real estate and provisions of price fluctuation reserve for ADI.
Q5:	Please explain why the ESR decreased to 229% from 244% at the end of December 2023. Would it be due to a change in definition or simply a reflection of the 190 billion share buyback? Also, please provide rationale why you came up with a 150.0 billion yen share buyback for capital adjustment purposes.
A5:	Share buyback was factored into the decrease in ESR. We will separately confirm and respond regarding the calculation basis for the 150 billion yen. < Supplementary answer > We thought a 150 billion yen additional share buybacks would be appropriate in order to bring roughly 5% down in ESR considering the position of ESR which was close to the upper of the target range.
Q6:	Are you considering rate hike for voluntary automobile and fire lines of business in FY2024.
A6:	MSI and ADI raised voluntary automobile insurance rates by an average of 3% in January 2024. Given the upward trends in average payout per claim, it is highly likely that another rate increase will be necessary. Regarding fire insurance, we are preparing to revise the products in October 2024 based on the advisory rates issued the General Insurance Rating Organization of Japan.
	SQ1: With regard to voluntary auto, would the rate increase in January 2025 already be factored into the FY2024 plan?
	SA1: A certain degree of rate increase has been factored into the FY2024 plan.
Q7:	The expected dividend for FY2024 is a significant increase compared to FY2023. Please explain the background and calculation method for this forecast. Also, please share your idea about shareholder return including dividends after FY2029 when the gain on the sale of strategic share holdings is factored out.
A7:	As noted in the summary of financial statements, the expected annual dividend of 145

	<p>yen is divided into an ordinary dividend of 100yen and a special dividend of 45yen. The former is the conventional dividend, and the special dividend of 45 yen has been calculated based on the expected gains from accelerated sale of strategic equity holdings. Since we plan to reduce its strategic equity holdings to Zero over the next 6 years, A special dividend continues over such period</p>
SQ1:	<p>should we understand that the special dividend will continue as gain from the sale of strategic equity holdings continues after FY2025? How would you divide shareholder returns into dividends and share buybacks.</p>
SA1:	<p>Since the sale of strategic equity holdings will continue after FY2025, special dividends will continue, too. As our shareholder return policy stipulates that the total payout ratio is 50%, the remainder will be returned by way of share buybacks.</p>
Q8:	<p>Why there is a discrepancy of YoY figures of the gains on the sale of strategic equity holdings between MSI and ADI? Is there any difference in assumption of the sale of such equities between the two in the FY2024 forecasts?</p>
A8:	<p>The planned volume of equities sold is 500.0 billion yen for MSI and 175.0 billion yen for ADI. Although the volume of reduction per year between MSI and ADI is different due to a difference in the amount of equities held, both MSI and ADI maintain a consistent reduction.</p>
Q9:	<p>Why FY2023 profit announced today is higher than what was disclosed on April 1, 2024 as timely disclosure?</p>
A9:	<p>There was no specific company that had a significant increase in profits. Several companies, including MSI, MSP as well as overseas subsidiaries performed better than expected. In the domestic non-life business underwriting profit was slightly downside which was offset by better investment return.</p>
Q10:	<p>Is it correct to understand that the earnings forecast for FY2024 will decrease when an increased gain from the sale of strategic equity holdings is excluded?</p>
A10:	<p>The main reason why the profit, excluding the increase in profit from the sale of strategic equity holdings, appears to decrease is due to the decrease in domestic non-life insurance business profit, reflecting the impact of the hail claims that took place in Hyogo Prefecture in April 2024.</p>
Q11:	<p>A 45 yen extraordinary dividend per share totals around 230.0 billion yen. Considering that the group adjusted profit is forecasted at 630.0 billion yen and total payout ratio as per the shareholders return policy is 50%, the amount of share buyback will be, in my estimation, approximately 100 billion yen. Is this correct? Or should we consider the possibility of another share buyback as a capital adjustment?</p>

A11:	Our shareholder return policy remains unchanged. Total payout ratio is set at 50% of group adjusted profit, and the portion excluding dividends is returned by way of share buybacks. In addition, we decided to make an additional return for capital level adjustment equivalent to 150.0 billion yen in consideration of various factors, including the status of ESR. If the environment becomes similar to that of this time, we may consider making an additional return.
	SQ1: Is it correct to understand that if a similar situation arises in FY2024, an additional share buyback of 150.0 billion yen will be executed?
	SA1: Before considering an additional return of 150 billion yen in FY2023, ESR stood at close to 250% which was the upper limit of the set range. This additional reduction of 150.0 billion yen has brought the ESR down to 229%. If ESR becomes close to the upper limit of the range again, we may consider the same. However, please be reminded that an additional return may be conducted having considered not only the position of ESR but also other comprehensive factors.
Q12:	Some media reported that “MSI will reduce its strategic equity holdings to Zero within 2 years”. I assume that MSI has domestic stock worth around 2.6 trillion yen and plans to sell around 500.0 billion strategic equity holdings in FY2024. Please share the calculation logic of these figures and expected amount of reallocating to pure investment
A12:	In the business improvement plan submitted to the regulator, we committed to eliminate strategic equity holdings over the next six years. Although it has been reported in the press, we do not have a plan to advance the reduction in two years. We plan to reduce to zero over six years and sell as much as possible in the first two years. As for the reallocation of the funds to pure investment, there is nothing decided at this point.
	SQ1: In FY2024, the combined sales of strategic equity holdings by MSI and ADI amounted to 675.0 billion yen, which is slightly higher than 1/6. However, depending on the status of negotiations with issuers, can we assume that there is room for upward revision?
	SA1: The amount and timing of sales will change depending on the negotiations with issuers. We try our best to sell as early as possible.
Q13:	Regarding the changes in ESR from the end of December 2023 to the end of March 2024, how much impact of a fluctuation of foreign currency rates was included? Also, please explain what the impact will be if the yen will be appreciated in the future.
A13:	From the end of December 2023 to the end of March 2024, ESR declined by 15 percentage points, from 244% to 229%, but the impact of foreign exchange was negligible.
Q14:	Please explain the forecast of ESR in FY2024, along with the main variables.

A14:	We refrain from disclosing the specific figures, but overall, the reduction of strategic equity holdings should be an upward factor. Although some part of the funds from the sale will be reallocated to higher return assets, ESR is expected to rise overall.
Q15:	Expected group adjusted profit of 153.0 billion yen for overseas business in FY2024 is higher than the original plan of approx.140.0 billion yen (forecast for FY2025/announced last year). What are the main reasons of this increase?
A15:	In FY2023, MS Amlin business showed strong recovery. Both AUL (Lloyd's business) and MS Re (Reinsurance business) achieved strong profits and we would expect constant growth from now on. In the U.S., we lowered the forecast in the interim financial results, but has recovered and now on the right track. Other factors include capturing growth in Asia and improving profitability at ADI overseas.
Q16:	Regarding the sale of strategic equity holdings, it seems that the ratio of profit against the sales amount will increase from FY2023 to FY2024 onwards Can I assume that MSI would accelerate the sale of equities with higher unrealized gain in FY2025?
A16:	The difference between FY2023 results and FY2024 forecast is simply because of a reflection of an increase in fair value. The difference of unrealized gain of individual stocks were not reflected in the forecast.
SQ1:	I understand that the increase in gains on sales is due to a rise in fair value of majority stocks, not the unrealized gain ratio of each stock.
SA1:	Your understanding is correct.

End