**MS&AD Insurance Group Holdings**
**The 1st Information Meeting of FY2024 (Held on May 27, 2024)**
**Q&A Session Summary**

**The Q&A Session Summary at the Information Meeting held on May 27, 2024 was summarized as follows.**

The following abbreviations of company names are used in this document.
MSI: Mitsui Sumitomo Insurance Co., Ltd.
ADI: Aioi Nissay Dowa Insurance 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
MSIGUSA : Mitsui Sumitomo Marine Management(U.S.A.)

Q1: Regarding the use of the funds from the sale of strategic equity holdings (Page.6) and investment portfolio in 2030 (Page 47), how much of the growth investment limit of 2.1 trillion yen is envisaged for M&A of U.S. specialty insurance companies?

A1: Currently we do not have specific budget for business investments (M&A). Our thinking is to use the funds obtained from the sale of strategic equity holdings for growth, and the remainder will be returned to shareholders. Growth investments include M&A as well as increasing pure investment assets. The amount of funds to be allocated to M&A depends on the nature of the project and the opportunity. Standby funds for M&A may be allocated to pure investment.

Q2: Business investment in the United States may not be easy because of relatively high valuation. According to page 41, in FY2025, net profit excluding MS Transverse will increase by about 20.0 billion yen. Are there any plans which require a large amount of fresh capital?

A2: As described on page 37 and 41, we are currently examining promising investment opportunities, mainly in the United States and Asia, from the perspective of risk diversification, growth and capital efficiency, as well as synergies with existing businesses. As MS Amlin's business performance has recovered, we believe that the environment for forward-looking discussions for further investments has been laid. In particular, the United States, which is the world's largest insurance market, is a market worth considering, along with high-growth Asia market. Having a medium-term perspective, we are considering having managerial discussions on how to allocate our capital.

MSIGUSA has established a structure for expanding local business, and we are forecasting increased revenue in the future. In addition, investment return in the US is expected to increase due to additional capital injected in MSIGUSA from MS Head Office.

Q3: There are several withdrawals of businesses listed on page 20. What was the review process leading to the exit, and how are you going to improve the management of businesses going forward taking lessons learnt into consideration?

A3: With regard to exits, we have identified projects with an ROI below the benchmark of 6% or 7% which require scrutiny, and have been discussing prospects for financial recovery and strategic significance within our Group. For the projects listed on page 20, we decided to withdraw because it was difficult to foresee a business recovery and we concluded that they no longer fit into the overall strategy in our Group. As for Hippo and BIG, while we were able to acquire sufficient know-how of the companies, their financial returns were in a tough situation. For those cases, we believe it is important to assess the financial returns, taking into account their strategic significance in our Group. On the other hand, MS Brazil decided to exit the retail business, taking into account the group's appetite while maintaining its network that the group values. We believe that it is important to continue making business investments with discipline. In due diligence, we also will examine whether target projects match the Group strategy and whether the Group's organizational capabilities can be utilized.

Q4: Regarding the use of funds from the sale of strategic equity holdings on page 6, how much domestic listed stocks are you going to hold after 6 years? In relation to this, please share your thoughts why you are going to recognize unrealized losses of around 50.0 billion yen for FY2024.

On a separate subject, as shown on page 91, appropriateness of holding strategic equities has been determined in consideration of return from insurance transactions with issuers as well as income gain from respective stocks. If the return from insurance transactions is disregarded, we estimate that cost of holding stock would exceed capital cost of 7% for majority of stocks. How would you justify keep holding certain stocks then?

A4: We have a preliminary view that we should hold domestic listed stocks equivalent to 800.0 billion yen as the best portfolio mix in our investment as shown on page 47. This is very initial and internal calculation and we have not yet decided which stocks to hold at this point. We assume that it will take some time to build an intended portfolio. We will justify ourselves when we hold certain stocks hold from the perspective of economic rationality, including risk and return as well as taxation on sales gains. In case where we keep holdings certain stocks as pure investments, we will ensure that investment division will freely make trading decisions.

Q5: I guess the reason why the timing of the application to IFRS has been postponed again is that you would need some more time to develop management indicators. Please share the background of this decision. In addition, IFRS net income for FY2025 shown on page 99 appears to be lower than the amount previously disclosed as the profit target. Where does the difference come from?

A5: The timing of application of IFRS has been differed from the first quarter of FY2025 to the end of FY2025. The new system convertible to IFRS has already been delivered, but we would like to be transparent as to how figures under IFRS could be different from then ones under Japanese GAAP You are correct in pointing out that IFRS net income 450.0 billion on page 99 is slightly lower than the previous outlook. In the domestic non-life insurance business, we have lowered the profit outlook for voluntary automobile, while we have raised that for international business, etc., resulting in a slight decrease in total.

Q6: The special dividends of 45 yen per share amounts to about 70.0 billion yen in total, which is about 23% of the 300.0 billion yen adjusted profit from the accelerated sale of strategic equities. How did you come up with 45 yen for special dividends? Also, considering the outlook, where the impact of the accelerated sale will increase to 310.0 billion yen in FY2025, and where the ordinary dividends won't decline, can we expect an increase in the total dividends per share?

A6: We plan to divest all the strategic share holdings over 6 years, with an intention to advance this process as much ahead of schedule as possible. The accelerated sale is defined as the portion exceeding the pre-planned annual sales amount of 150.0 billion yen per year. Our target of shareholder returns in relation to the accelerated sale is around 30 ~ 40% as dividend payout ratio on average over 6 years.

Regarding the return from the accelerated sale of strategic equities, our intention is to increase the proportion of share buybacks in the initial stage. As such, the return through special dividends would be somewhat lower, at the 20% level, for the first two years. Our plan is to increase the payout ratio through special dividends during the latter half of 6 years. We also expect the ordinary dividends not to fall below the previous year's amount.

Q7: With regards to the possibility of a merger between MSI and ADI, based on the current situation, does having these two companies separate create a greater advantage, or does increased awareness of cost reduction increase the incentives of the merger?

A7: The merger of MSI and ADI remains a viable option. So far, we have been promoting functional reorganization and the one-platform strategy, and have been making efforts to achieve cost reductions similar to those of a merger. However, in the face of environmental changes such as the advancement of digitalization, implications from price-fixing issues, and the worsening combined ratio in the domestic non-life insurance business, we wish to continue considering what kind of group structure would be optimal for expanding corporate value.

Q8: Regarding domestic automobile insurance on page 24, you mentioned in the result briefing conference call that you are considering additional premium rate increase. Given that the level of underwriting profit is significantly lower than initially anticipated, can you secure sufficient profitability with just another revision? And could you please share with us what level of profitability you are aiming for?

A8: The frequency of accidents has been increasing due to the recovery from COVID-19, and in addition to the high cost of repair parts, there is the impact of wage increases due to inflation, resulting in a higher than expected increase in repair costs per unit. Accordingly, we are considering a rate revision. Going forward, we aim to improve the profitability by aiming for a level higher than what we have presented for the FY2025. In addition, rather than solely relying on price hikes, we aim to improve profitability through measures to reduce accident frequency, such as strengthening the sales of telematics automobile insurance and loss prevention measures such as providing alerts for hail disasters.

To elaborate further on our counter hail measures, we have developed a highly accurate system that can send alerts to our customers 20 to 50 minutes before hail begins to fall. These alerts are not only for hail, but also for windstorms, snowstorms, and even freezing water pipes, with around 400 thousand alerts sent out to our customers last year. Since the start of this fiscal year, in Gunma Prefecture, we have developed hail sheets to prevent damage to vehicle in collaboration with local major auto parts retailers and home centers and have started distributing them on a trial basis. Through these initiatives, we will continue to focus on activities to prevent accidents together with our customers.

Q9: I believe that the quality and management of agents have become a social issue. Please explain how you intend to address the issue.

A9: In light of price-fixing issue and other issues, we believe it is necessary to drastically review the way we have been conducting our business, and to conduct our business even more customer-focused and customer-friendly than before. We also believe that agents need to change, and we also believe that it is necessary to take a more in-depth approach to the issue of double structure of agent and insurance company. We would like agents to establish a system where it can complete insurance sales independently, rather than relying on support from insurance company staff. Furthermore, with the advancement of digital technology creating an environment where various procedures and explanations can be done online, it is necessary for agents not to simply conclude contracts, but also to enhance their advisory and consulting functions for customers. To that end, we believe it will be necessary to increase the scale of agents and establish various systems. We expect our agents to evolve drastically and operate their businesses with a customer-focused approach as our partners.

SQ1: Please explain insurance agent's reforms, if there is a timeline.

SA1: It is difficult to confirm the timeline, but I will explain it from the perspective of digitizing agent's business. A large part of our business is that we pay a commission for the processing by agents, but there are many customers who want to do the processing themselves, and the number of services that are processed by customers themselves is increasing. On the other hand, our products and services are very complicated, and we need to explain them carefully to customers through agents in order for them to understand them correctly. In the future, we will develop and revise such processes, product contents, and services so that customers can make their own choices while making them very easy to understand.

Q10: How have your major customers reacted to the sale of strategic equity holdings and the elimination of excessive support for customer's core business? Do you expect changes in market share due to this?

A10: Customer reactions are various. Our production departments are explaining to customers about our commitment to major business style reforms. While there are cases where our customers fully understand, we have also heard of customers expressing a slight discomfort towards the changes taking place. Our group is committed to operating our business from the standpoint of our customers. We believe that by continuing to provide careful and patient explanations, we can gain their understanding. We understand that so far, there has been no significant change in our market share.

Q11: Regarding the change in management structure after the next shareholders' meeting in June, it seems that the new Group CEO will also continue serving as the CEO of MSI. Was this dual role chosen from the perspective of the speed of decision-making, or was it simply a result of choosing the best person for the position?

A11: We discussed the management structure many times at the holding company's nomination committee, and as a result, we decided on this structure. In the second stage of mid-term management plan, we must move forward with a sense of speed in increasing the value we provide, not only in the value of the insurance we originally provide, but also in the value including disaster prevention and mitigation before and after insurance payment. In this situation, we have changed our management structure, believing that it would be better to move forward with a sense of speed if single CEO serves as both the operating company and the holding company. This is the result of selecting from among several candidates, including the personality perspective.

Q12: Of the total return amount over the next 6 years, how much will be returned from the sale of strategic equity holdings?

A12: Of the 3.6 trillion yen strategic equity holdings, 2.8 trillion yen will be sold, so the after-tax gain will be approximately 1.6 trillion yen. 50% of this amount will be returned over the next 6 years.

SQ1: Is it correct to understand that the planned return amount will also increase or decrease according to the fluctuations in the stock market price?

SA1: The group adjusted profit includes the accelerated sale of strategic equity holdings. 50% of the group adjusted profit is the return amount, so if stock prices rise and gains on sales increase, the return amount will also increase. We also wish to ensure that dividends won't be lower than that of the previous year, so the total return amount will be adjusted in share buybacks.

Q13: What is the impact of the sale of strategic equity holdings on underwriting profit? And how is that impact factored into the plan?

A13: We carefully explain the sale of strategic equity holdings to our customers so that there is no impact on market share, therefore the impact of the sale of strategic equity holdings on underwriting profit is not factored into the plan.

Because the market itself may change in the future, we are working to further increase the value that we can provide, for example, risk consulting services and what we call RisTech, a business that utilizes digital technologies to provide various advice to out customers. Agent's role is changing from administrative procedures to providing value. For example, recently we have been working with customers to prevent accidents by utilizing data. Specifically, in the case of businesses that handle industrial waste, where various items are stored and disposed together, we are working to reduce the risk of ignition by analyzing what items are stored together to determine the risk of ignition. In the case of work-related accidents in factories, we are also working together with customers to prevent accidents by using camera footage to record and analyze the movements of workers and vehicles such as forklifts in the factory to predict what types of accidents occur in advance.

Q14: Given that you will divest strategic equity holdings as early as possible, is it safe to assume that group adjusted profit for the next 6 years will peak in FY2025 but will not fall below the 630.0 billion yen level forecast for FY2024?

A14: For now, we believe that profit on the sale of strategic equity holdings will peak in fiscal 2025. At the same time, in order to achieve profit growth excluding the strategic equity holdings, we will steadily promote automobile and fire insurance premium rate revisions and business cost reductions in the domestic market, while overseas, we will improve profitability led by MS Amlin, and promote growth initiatives in other businesses. As a result of these efforts, we hope to steadily expand profit margins in FY2026 and beyond while maintaining a level that does not fall below the 630.0 billion yen level in FY2024.

Q15: What is the expected profit ratio by business segment after 2030, when the sale of strategic equity holdings is completed?

A15: The outlook of the profit ratio for FY2025 is shown on page 14 of the material (Domestic non-life insurance business 39%, International business 48%, Domestic life insurance business etc. 13%), but we envision a rough balance of around 50% each in domestic and international business for the future.

Q16: Do you consider hedging to increase the certainty of gains on the sale of strategic equity holdings?

A16: For example, if there is a certain gap between the timing when the consent of the sale is obtained from the issuer and the timing when the actual sale is executed, it is possible to hedge by purchasing derivatives of the individual stock in question. However, since the hedging cost is quite high, the operation is limited. While there is an option to hedge using stock index futures, we believe it's not realistic as our stock portfolio differs in composition, and the expected hedging effect may not be obtained. In some cases, it could even result in losses on both the real equities and the hedge.

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