

MS&AD Holdings Conference Call (August 9, 2024)

FY2024 1st Quarter 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.

AUL: MS Amlin Underwriting Limited

MS Re: MS Reinsurance (Brand name of MS Amlin AG)

MSIG Mingtai: MSIG Mingtai Insurance Co., Ltd

MSFC: MS First Capital Insurance Limited

Q1: Please share with us how major overseas subsidiaries performed during 1Q compared to the plan. According to page 18 of the material, it seems that Asia performed fairly well, whereas Lloyd's and Reinsurance were negatively affected by the Baltimore bridge accident.

A1: In international business, all segments namely Lloyd's and Reinsurance, Asia, Europe, the Americas and International life Insurance outperformed the plan.

While Lloyd's and Reinsurance business were affected by the Baltimore bridge accident, the overall performance remained on track due to benign major natural catastrophes.

In Asia, both MSIG Mingtai in Taiwan and MSFC in Singapore performed well in both underwriting and investment , progressing ahead of the plan.

The European subsidiary of ADI, which performed poorly last year, also showed signs of improvement in underwriting.

SQ1: AUL's net income £ 11 million for the 1Q seems to be slow progress against the full-year plan of £ 122 million. The combined ratio for 1Q also looks worse than the full-year target probably due to the Baltimore bridge accident. Even so, can we still consider that AUL is going to catch up with the full-year plan from the 2Q onwards?

SA1: AUL's net income for 1Q was short of the plan but we were reasonably confident that AUL will achieve the plan for the full-year MS Re's net profit for Q1 is ahead of the plan.

Q2: I understand the full-year plan includes the gain on the sale of a large amount of strategic equity holdings. How do you see the risk that the market volatility might lead to lower sales amount than expected?

A2: MSI and ADI plan to subscribe in the tender offer of Toyota Motor Corporation, which is set to expire on August 26. Although Toyota Motor Corporation's stock price is currently being traded below the tender offer price, we will determine our course of action based

on the stock price at the end of the period and the participation of other shareholders.

Although the decrease in stock price may lead to reduced capital gains, the sale of some of other major holdings has successfully been executed and the approvals for sales by issuers are progressing as we hoped. Therefore, at this point of time, we do not expect a significant adverse impact on the group's adjusted profits. We recognize that the gain on the sale of strategic equity holdings will depend on the relationship with the issuers and the stock price at the time of sale, and we may consider revision of the plan when we disclose 2Q financials.

Q3: Please explain underwriting profit in the domestic non-life insurance business for 1Q 2024. I assume while earned premiums increased due to the impact of rate hikes in voluntary automobile insurance and fire insurance, incurred losses in voluntary automobile insurance slightly exceeded the plan?

A3: Loss ratio for voluntary automobile insurance has slightly been higher than the plan, primarily due to an increase in incurred losses. This is mainly attributed to higher payout per claim for vehicle and property damage. As it is still 1Q results, we will maintain close observation of the trend.

Regarding fire insurance, earned premiums have increased too. While incurred losses are slightly higher than anticipated, this can be partly attributed to the use of the simplified loss ratio calculation method at MSI, and we do not view this as a significant variance. Looking ahead, we consider the loss ratio of voluntary automobile insurance to be more likely to fluctuate.

Q4: What is the estimated net loss, after reinsurance recoveries, in the event of the Nankai Trough earthquake?

A4: We conduct stress test annually to assess the impact of extreme events such as the Nankai Trough earthquake. In practice, we do not conduct tests on the Nankai Trough earthquake alone, but on scenarios that assume the concurrent occurrence of multiple related natural catastrophes. Therefore, while this may not directly answer to the question, the stress test conducted in the first half of fiscal 2023 estimated the net loss of slightly over 200 billion yen. Please also note that the assumption of reinsurance coverage as of the test is different from the current one.

Q5: Regarding major incidents related to international business, could you provide an outlook on the incurred losses resulting from the Baltimore bridge accident and the global IT outage in July?

A5: For the Baltimore bridge case, Lloyds and Reinsurance business estimates a total of 11.1 billion yen in losses. As for the IT outage, we have not received any claims at this moment, and we anticipate incurred losses from the incident will be manageable.

Q6: It has been reported that the surcharge from Fair Trade Commission for price-fixing

conduct is about 2.0 billion in total for the 4 insurance companies combined. Is it safe to assume that there is no longer any risk of additional surcharges being imposed?

A6: The reports regarding surcharges from the Fair Trade Commission were not disclosed by the company. We will provide further comments once the surcharge payment orders have formally been received.

Q7: Regarding the discounted TOB mentioned on page 2 of the material, is it possible that the company voluntarily cancels the tender provided that the stock price falls below the subscription price? Also, if MS&AD is not able to sell the planned number of shares of Toyota Motor due to the participation of other shareholders, will MS&AD sell the remaining shares in the market to meet the initial target?

For the MS&AD shares owned by Toyota Motor Corporation, if it is not possible to purchase the planned number of shares, will MS&AD purchase in the market to reach the intended number of shares?

A7: Cancellation is not possible. If the stock price falls below the subscription price and other shareholders tender their shares, it will be allocated on a pro-rata basis according to the number of shares tendered. Therefore, regarding MS&AD's TOB, we are able to acquire the planned number of shares even if other shareholders tender their shares. On the other hand, in the case of Toyota Motor's TOB, if it results in a pro-rata allocation, we will not be able to sell the anticipated number of shares. In that case, we will reconsider available options.

Q8: Please explain 1Q results of the unit price and the frequency of accidents for voluntary automobile insurance compared to the plan? Additionally, regarding the rate revision scheduled for January 2025, what level of hike is expected, if you are able to share that?

A8: The frequency of accidents decreased by about 2%, which is roughly in line with the plan. The unit price increased by 9% (MSI+ADI), which is slightly above the plan. No decision has been made at this moment regarding the rate revision.

Q9: From a global perspective, while there have been certain natural catastrophes, the impact on MS&AD has been almost zero. This could be seen as an indication that MS&AD is not taking the adequate level of risk. Could you share the self-assessment on the exposure to overseas natural catastrophes?

A9: We have been reducing wind and flood risk exposures in North America, which was the peak risk in underwriting. We believe that this has contributed to the minimal impact from overseas natural catastrophe losses. On the other hand, MS Re is expanding its top line by strategically selecting and taking on natural catastrophe risks along with general risks from well-managed primary insurers. It is not a matter of not taking enough risk, but rather a strategic preference for natural catastrophe risks aimed at profit expansion.

Q10: In the release of Toyota Motor's tender offer, it is stated that the gain on sale of securities

- will be 200.0 billion yen (after tax). Is this amount factored into the sales plan for FY2024?
- A10: The comment for specific stock cannot be given. But it has been factored into the overall sales plan.
- Q11: Please share with us the book value, fair value, and gain on the sale of strategic equity holdings in the 1Q of FY2024.
- A11: The sale price (fair value) of strategic equity holdings is 95.1 billion yen for MSI and 14.5 billion yen for ADI. The movements in securities are detailed on page 17 for MSI and 21 for ADI in the Summary of Financial Statements. Please consider the gains and losses on the sale of "stocks" described here as mostly corresponding to those from strategic equity holdings. You can count the differences as the gains since the book value is not disclosed.
- SQ1: It is informed that a special dividend will be distributed if the gains on the sale of strategic equity holdings exceed expectations. Will this special dividend be paid in the 4Q, or is there a possibility of an interim dividend depending on the circumstances?
- SA1: As stated on page 12 of the materials for the first information meeting FY2024, the annual dividend forecast for FY2024 is 145 yen. The implementation of the interim dividend will be disclosed at the time of the interim financial results announcement.
- Q12: Is there a scenario where the company reclassifies the strategic equity holdings as pure investment, resulting in mere continuation of holding strategic equity holdings?
- A12: There is a possibility of holding domestic stocks as pure investments, however, in such cases, the investment decisions will be made by the asset management division, and these will be completely separated from insurance transactions. We do not intend to continue to hold strategic equity holdings effectively after reclassification.
- Q13: For the treasury shares intended to be acquired via TOB, can we take it that these shares are meant to be cancelled to improve shareholder returns?
- A13: That's correct.
- Q14: In the stress test for the Nankai Trough earthquake, you mentioned that the estimated net loss is slightly over 200 billion yen. Comparing this to the approximately 60 billion yen in insurance payouts for the Great East Japan Earthquake, it is 3 to 4 times higher. Considering that the government's damage forecasts are considerably higher, do you say the results of your stress test are reliable?
- A14: Net loss of 200.0 billion yen is based on a composite scenario and takes into account reinsurance recoveries. Therefore, we believe it is not directly comparable to the Great

East Japan Earthquake or the government's damage estimates.

SQ1: Even if the impact is as estimated, can we assume that you have strengthened risk management and underwriting to ensure it does not become a capital event?

SA1: By conducting stress tests, we assess the capital impact of each scenario and use the information to enhance our risk management.

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