

## IRDAY Institutional Investor Session Q&A Summary

Q1: As a framework for managing the business, you have set a target of ROE of 10% or more, but are you thinking of taking drastic measures for Amlin if it is difficult to achieve that target?

A1: MS Amlin was affected by the market valuation of its asset management in the first quarter, but I would like to focus on the profitability of the insurance underwriting itself as a key point. The current AUL, AAG and AISE portfolios are being improved and we will work to expand both the top and bottom lines .

Q2: Do you prioritize profit target or ROE target in your medium-term management plan?

A2: Basically, we aim to achieve both profit and ROE targets for the period.

Q3: I understand that MS Amlin is reducing its portfolio of natural disaster risks. Can you view climate change as an opportunity for growth in terms of risks and opportunities?

A3: MS Amlin is a leader in reinsurance for natural disasters, and there are areas where MS Amlin wants to meet needs. MS Amlin will use modeling to promote underwriting to the extent that it can be absorbed by MS Amlin's underlying earning power while considering both risk diversification and profitability.

SQ1: Is it correct to understand that while natural disaster risks are in the direction of curbing underwriting, MS Amlin will continue to expand globally for those that are profitable?

SA1: AAG is in the process of improving its portfolio and is in the direction of reducing North American natural disaster risk / expanding Non cat risk. Since AUL has improved its portfolio. it will consider taking risks while looking at profitability and taking risks that can be absorbed by MS Amlin as a whole.

Q4: How will you deal with the decline in returns on asset management as you continue to reduce your strategic equity holdings?

A4: While strategic equity will continue to be reduced, we plan to invest the fund from the sale in assets that are expected to generate relatively high returns, such as business investments for growth and foreign credit assets, which we call to higher-return assets.

Q5: What are your future strategies for the international life insurance business, including regional targets?

A5: In Asia, where population growth and middle-income growth are expected in the coming

years, we see an opportunity to expand our life insurance business along with our non-life insurance business. We will also pursue synergies such as cross-selling of life and non-life insurance, and we will continue to pursue opportunities even in areas with large populations.

SQ1: As a large population, How about the United States?

SA1: We still have a possibility of acquisitions in the United States. However, considering the synergies with the non-life insurance retail business, I think Asia is more likely.

Q6: Natural disaster risk is very difficult to deal with because the law of large numbers is difficult to work with, and I don't think we should actively take it, but what is your view on Good Risk and Bad Risk?

A6: We considered that the point is whether we can keep the profitability or not. We believe that it is important to have the ability to control risks by diversifying regions or types of risks. At the moment, we are prioritizing curbing volatility, so the opportunity (for hardening) has arrived, but we do not intend to expand underwriting rapidly.

SQ1: Even though the law of large numbers is hard to work with, it is still dispersive, and even in the medium term of two or three years, we assume that we will only pick up where the returns are higher.

SA1: We want to build a diversified underwriting portfolio, including other non cat risks, and try to manage the businesses considering risk and returns.

Q7: Is the 18 billion yen projected increase in profits from business investments through 2025 by M&A?

A7: Yes, we are planning profits through M&A.

SQ1: How much investment do you expect to make on the assumption of 18 billion yen increase in business investment? Also, can you tell us what the relationship is with raising the ESR range by 30 points?

SA1: We are thinking of investment scale of 300 billion to 400 billion yen. We want to take the long view a little bit and make sure that we have the spare capacity for large investments. It does not mean that additional shareholder return will not be made if the ESR does not reach 250%. In the event of a decline in earnings due to a major natural disaster, we believe that additional shareholder returns are necessary to maintain stable shareholder returns.

- SQ2: We are concerned that surplus capital will be kept. Even before we reach ESR 250%, if ROE goes down, I would like to see an additional shareholder return.
- SA2: As I explained earlier, if there are no good business investment projects, we will consider additional returns regardless of 250%, taking into account the capital situation and future prospects.
- SQ3: Once you will demonstrate the additional shareholder return, the market may be convinced that this is the right time to do so, so please consider it.
- Q8: In non-life insurance, you want to reduce the risk of natural disasters as much as possible, but in such a situation, can policyholders continue to be happy with the product they apply?
- A8: For its social mission, we will keep providing domestic fire insurance to meet the needs of the clients by devising underwriting conditions and rates. Reinsurance is an effective tool for portfolio management, and we believe it is efficient to use both direct and reinsurance.
- Q9: Has there been any change in what attracted you when you acquired MS Amlin? Do you think that changes in the external environment, such as the loss of talent, the rise of competitors, or frequent hurricanes, have made it less attractive?
- A9: Since the year following the acquisition of MS Amrin, natural disasters have become more frequent worldwide, creating a headwind for MS Amlin, which has an advantage in assuming natural disaster risks. We also restructured our portfolio and reorganized in January 2020. By leveraging the Lloyd's brand and strengths and leveraging MS Amlin in new ways within the Group, we believe we can respond to changes in the climate and market environment.
- Q10: Where was the problem with MS Amlin's deficit in the last three years? How do you use that reflection?
- A10: Major factors contributing to the deficit in the last three years include the impact of natural disasters, the impact of COVID19, and the impact of Russia and Ukraine. In January 2020, the Group reorganized its corporate structure to strengthen management, including direct control of all current overseas subsidiaries, and to increase its base earning power by replacing its underwriting portfolio to control natural disaster risk.
- Q11: You raised the target to achieve an investment profit of 310 billion yen in 2025, but can

you believe that you will have a high probability of achieving this, even in the face of the current interest rate environment and deteriorating external conditions?

A11: We have not changed our target for investment profit in 2025. Interest rates have risen and stock prices have fallen recently, but for insurance companies, rising interest rates are in principle positive. There will be temporary valuation loss, but if you look at the 2025 year term, we see an opportunity when interest rates rise and there are investment opportunities.

Q12: In the Mid-Term management Plan, we have two goals for the profits and ROE, but is it really good to follow both? Wouldn't corporate value improve if we stick to ROE?

A12: We think we have to chase both profit and ROE. I think ROE is more important in the case of choice between the two. Adjusting capital to increase ROE is an option, but we want to work to increase ROE by expanding corporate value while expanding profits.

Q13: You say the cost of capital in your company is 6%, but if that's the case, I think the current valuation is too low. Are you thinking of sending a message such as more aggressive share buybacks?

A13: Share buybacks are naturally an important option if the stock price is cheap. On the other hand, dividends are sometimes higher in terms of the durability of effects. The current share prices of the three nonlife insurance groups have converged around a certain dividend yield, and we believe that dividends need to be raised steadily. The cost of capital ratio for each operating company is 6%, while the cost of capital ratio for the Group is 7%.

Q14: The effects of share buybacks are controversial, but the TSR in the integrated report shows that the company is unfortunately inferior to other companies, and I suspect that there is something wrong with the way we interact with the capital market. I am concerned that the strategy of following both profit and ROE may be a factor in the lack of appreciation.

A14: As I explained before, I am aware of the importance of tracking both earnings and ROE, but I would like to be more creative in communicating with the capital markets in terms of increasing transparency and predictability.

Q15: What is the impact of increased natural disasters on the profitability of auto insurance?

A15: We would like to start with initiatives to limit damage as much as possible through disaster prevention and reduction.

- Q16: What are InterRisk Research & Consulting's future initiatives regarding climate change disclosure?
- A16: We would like to offer consulting services on quantitative disclosure of our clients' TCFD and scenario analysis. In terms of quantitative indicators in scenario analysis, we are working to raise the level by receiving various feedback.
- Q17: What is your outlook for the expansion of casualty insurance products in the future?
- A17: We are making a company-wide effort to develop it next to auto insurance. In terms of products, we hope to build up a range of products that cover new risks, such as cyber insurance.
- Q18: What is the effect of inflation on underwriting profits?
- A18: We believe that the increase in the unit cost of auto insurance claims is mainly due to the higher functionality of vehicles, and that the effects of inflation are not yet apparent. Inflation overseas is partly due to rising labor costs, but in Japan we are closely watching whether a similar effect will occur.
- Q19: What is the accuracy of your forecast for the full year of 72.5 billion yen in natural disaster-related incurred losses?
- A19: At this stage, we do not have a reliable forecast for hail disasters other than the one in June, but we do not expect it to be much higher than the 72.5 billion yen forecast.
- SQ1: Reinsurance covered about 70% of the natural disasters from 2018 to 19, but is the same understanding correct?
- SA1: Depending on future trends in the occurrence of natural disasters, you are aware that reinsurance will cover the same amount as what was covered by reinsurance in the past.
- Q20: What is the cost of capital ratio when calculating VA for fire insurance?
- A20: Compared with other classes, fire insurance has a higher cost of capital ratio in conjunction with earnings volatility, but the cost of capital ratio of fire insurance is lower than the group's cost of capital ratio of 7% due to the risk diversification effect among classes, businesses, domestic and overseas.
- Q21: In addition to improving the bottom line of fire insurance, what are you focusing on, and what initiatives are you taking at domestic nonlife insurance?
- A21: We are working on a plan to reduce operating expenses by 100 billion yen between fiscal 2019 and 2025. As of the end of fiscal 2021, we had reduced approximately 54 billion yen,

so we will reduce 46 billion yen during the current medium term management plan. In addition to improving productivity through the promotion of DX, the two core nonlife insurance companies are working on a one-platform strategy by sharing the middle and back divisions.

Q22: What are the differences between your efforts to improve the profitability of fire insurance compared with your past efforts?

A22: In addition to the rate revision, the October revision will shorten the maximum insurance period from 10 years to 5 years. In claim payment, we introduce a deductible. In addition, we believe that imposing an obligation to recover and making payments on an actual loss basis will have a significant effect.

Q23: What do the three people other than the CFO (Tamura, Ippongi, Arakawa) think about the strategic equity holdings reduction?

A23: (All three) think that strategic equity holdings are peak risk in terms of the amount of risk, and that they should be reduced while attaining a careful consensus with the counter party in order to operate the business stably.

above