Q1: Regarding MS Amlin's underwriting profit forecast, please explain the reason why you did not change the underwriting profit forecast despite increased natural catastrophe loss forecast.

A1: The annual forecast of underwriting profit is 11 million pound. This is because 81 million pounds in foreign exchange gains due to the appreciation of the US dollar and the depreciation of the British pound. MS Amlin have made progress in improving losses in Non Catastrophe risks, but on the other hand, we are in a difficult situation due to inflation as well. At the beginning of the year, we planned 53%(excluding Russia-Ukraine impact) of Non Catastrophe class loss ratio. It was 57% at the end of the interim period and we expect 55% for the full year forecast at this moment.

Q2: You have lowered your estimates for losses related to Russia-Ukraine, is it due to aircraft leases related insurance where legal proceedings have begun? Or other reasons?

A2: It's not related to aircraft leasing insurances, it's mainly related to credit insurance. We found that the exposures have been decreasing following to the claim situation, decline of the renewal and stoppage of new cases and concluded that necessity of IBNR provisions shall be declining. Regarding Russia-Ukraine related losses, the number of claims report is still limited, and the situation has not changed much since previous our explanation. Our estimated losses are coming from mainly IBNR and margin reserves for uncertainty. Aircraft lease related losses are included in this margin reserve.

Q3: Please explain your self evaluation of natural catastrophe risk reduction efforts following to Hurricane Ian.

A3: The market loss of Hurricane Ian is 2 times larger that of Hurricane Ida last year, while the net loss of MS Amlin is kept at around 1.2 times, so the risk reduction effect is starting to appear. We would like to continue to reduce the amount of natural catastrophe risk as well as increase the rate to convert the portfolio into a profitable one.
Q4: Will the Non Catastrophe loss of MS Amlin go up beyond forecast by the end of this fiscal year?
A4: I don't think the loss ratio will go up significantly because we have kept enough reserve including the additional margin reserve. Inflation impact will be uncertain, but we have tried to absorb by rate increase, so for now things are going as planned.

Q5: MS Amlin is pursuing investment initiatives for curbing the volatility such as bond zero-duration arrangement and equity hedging, but the effects of these initiatives will be seen in the current fiscal year or after next fiscal year?
A5: As you can see, we have taken a flexible investment approach, and although we have made losses from investment, our losses have been relatively limited compared with other Lloyd’s syndicates, and we believe that the benefits have been realized since this fiscal year.

Q6: Do you plan a reversal of the reserve following the outcome of the Stonegate lawsuit?
A6: Although the outcome of the Stonegate lawsuit (Judgement of the High Court) was positive for us, we do not plan the reversal of the reserve at this moment. (an appeal has been filed by the plaintiff)

Q7: Please provide a breakdown of the 49.0 billion yen reduction in the full-year forecast for overseas subsidiaries net income from the beginning of the year. With respect to MS Amlin's earnings, how much foreign exchange gains in underwriting are expected for the full year that were not factored into the forecast for the beginning of the year? Similarly, how much do you see for FVTPL (=Fair Value Through Profit or Loss) for the full year?
A7: The reduction was mainly due to Europe's 38.4 billion yen reduction, of which, MS Amlin was 37.2 billion. The forecast for other regions was also lowered, mainly due to a deterioration in the balance of assets management. We have not taken foreign exchange gains into the forecast at the beginning of the year, but we planned 81 million pounds (approx.: 13.0 billion yen) in this forecast. While there are no figures for FVTPL alone, total asset management profit/loss forecast has reduced by 198 million pounds from the initial forecast.

Q8: Regarding Taiwan COVID19 related loss of 20 billion yen, please explain your estimated cumulative infection rate. Also, will it impact only this fiscal year or will it remain in the next fiscal year?
A8: We're assuming an infection rate of maximum 46% on our plan based upon the estimation plus some margin. Next fiscal year it will depend on the situation, but we do not expect any
impact in next fiscal year at this moment.

Q9: You estimated that underwriting profit after adjustment excluding natural catastrophes and foreign exchange effects has deteriorated by about 36 billion yen in MS and about 38 billion yen in AD from the forecast at the beginning of the year. Could you explain the factors by category?

A9: Underwriting profit, excluding the impact of natural catastrophes, foreign exchange and COVID19, increased by approximately 38 billion yen for MS and 42 billion yen for AD in the first half of the fiscal year. In both MS and AD, there was a high incidence of fire and casualty class large losses, as well as an increase in the frequency of car accidents and average repair costs. In the first half of the fiscal year, motor insurance accounted for a significant portion of the total on YoY, but this fiscal year was characterized by an increase in the number and amount of large losses of more than 100 million yen for fires and casualty classes.

Q10: Please explain the reinsurance recovery amount for natural catastrophes. Also, is there any possibility that natural catastrophe in the second half of the year be less than expected inconsideration of annual aggregate reinsurance coverage?

A10: The reinsurance recovery amount was 23 billion yen as of the first half. As aggregate covers also have various conditions, so we can not say all the losses in the future will be covered by aggregate covers, and the recovery amount will depends on the cases of the natural catastrophes.

Q11: Regarding the COVID19, is it correct to say that after September 26, both MS and AD, like life insurance companies, have basically stopped providing deemed hospitalization benefits?

A11: Regarding the limited treatment of deemed hospitalization for COVID19, non-life insurance companies are similar to life insurance companies. As for the decrease of the benefit, your understanding is correct.

Q12: The incidental factors do not include the foreign exchange impact of domestic non-life insurance, MS's gain on the sale of securities, and South African flood losses, but if they are included, the start point of forecast may change.

A12: There is also the influence of foreign exchange and incidental large losses, but we did not include them this time because “incidental factors” should be limited to be applied. The foreign exchange impact of non life insurance subsidiaries insurance and MSA life are hedged and will not affected so much. If you look at page 10 of the documents, you can see that we offset -29.9 billion yen in the foreign exchange included in “Incurred loss” with
+18.8 billion yen in the foreign exchange included in “Expenses and others” and +13.0 billion yen in the foreign exchange included in the "Investment profit/loss and others”.

Q13: Normally, you would have announced the share buyback at the time of the announcement of the interim financial results, but this time, is the reason why you did not announce the share buyback due to the downward revision of the group adjusted profit?

A13: Although we revised downward the group adjusted profit, except for incidental factors, earnings growth has been solid and we are confident of earnings growth in the following year and beyond. To demonstrate this, we have prioritized higher dividends this time. Management is aware of the current stock price issues and will continue to flexibly consider the share buyback.

Q14: Regarding the flexible additional shareholder returns, is this dividend increase in line with additional shareholder returns? And will you plan to have further “additional shareholders return”?

A14: If 50% of the Group Adjusted Profit of 170 billion yen, which is the source of the return, is considered as a basic return, this dividend increase will result in a return rate of approximately 63%, so you can understand this as an additional shareholder return. Whether this is the end of additional shareholder returns depends on future earnings prospects, the business environment and market trends, but management have a strong awareness of issues with the current stock price and feel that the profit plans outlined in the medium-term management plan have not been fully factored in. The Company's policy of conducting share buyback in a flexible manner remains unchanged and may consider additional share buyback in the future.

Q15: If the dividend increase results in a return rate of 63%, and if the company considers additional share buybacks, the return rate could be considerably higher, possibly deviating from your company's shareholder return policy. Please explain when you make additional shareholder returns.

A15: As for the guidelines for considering additional shareholder returns, we indicate the "case of maintaining stable shareholder returns in the event of a decline in profits due to major natural catastrophes" in the information meeting materials released in May. For the current fiscal year, the Group adjusted profit is expected to decline due to a variety of incidental factors, not just major natural catastrophes. However, this shareholder return is also in line with the shareholder return policy of the Medium-Term Management Plan. We hope to maintain and expand stable shareholder returns along with earnings growth.

Q16: Since the Group adjusted profit forecast excluding incidental factors indicated on page 3 is
between 279 billion and 329 billion yen, can I expect that this 50% return would be one of the indication?

A 16: Although we have shown Group Adjusted Profit excluding incidental factors, this does not mean that this is a source of shareholder return. We are not fully sure about the landing of the full-year financial results at this moment, but when we are able to forecast the actual full-year financial results, we will make a decision based on market trends, the business environment and the capital situation, while also taking into account the expectations of shareholders and investors.

Q17: Please explain the planned increase in gains and losses on securities sales.

A17: We have raised our plans to sell securities as a whole, and we are mindful of selling strategic equities in particular.

SQ1: Is it correct that the amount of sales relative to plan is higher?

SA1: We had planned to sell strategic equities at 100 billion yen at the beginning of the year, but we have raised it to 150 billion yen.

END