The following abbreviations of company names are used in this document.

MSI: Mitsui Sumitomo Insurance Co., Ltd.
ADI: Aioi Nissay Dowa Insurance 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
Transverse: Transverse Insurance Group, LLC

Q1: Could you explain the background to the 50 billion yen reduction in the Group's adjusted profit forecast for FY2023 from 400 billion yen to 350 billion yen, with a focus on the domestic non-life insurance business and the international business?

A1: The 50 billion yen reduction is the result from the consideration on the environmental changes since the formulation of the Medium-term management plan. There were some major factors include global inflation of about 12 billion yen, the increase in personnel expenses and other factors of about 5 billion yen, the frequent occurrence and intensification of natural catastrophes and other factors of about 12 billion yen, changes in financial markets of about 9 billion yen and the increase in losses such as large accidents of about 23 billion yen. On the other hand, for offsetting that, we are looking at 11 billion yen due to the acceleration of the sale of strategic equity holdings and other factors, totaling a difference of about 50 billion yen.

SQ1 I think what you have just mentioned is mainly about the underperformance of the domestic non-life insurance business, but how about the international business? I think the contribution of in-organic growth is only Transverse, but you have seen a relatively strong turnaround of the international business in this plan, so please tell me about the differences from what you initially expected.

SA1 The international business’s Group adjusted profit target for FY2023 shown last in FY2022 was 115 billion yen and this time it is 124 billion yen, so it is increased by 9 billion yen. We have factored in the performance of Transverse, and we have increased because the large temporary negative factor in FY2022 has been eliminated, and besides, the underwriting profit has been improving.

SQ2 Since the temporary factor occurred in the past period, I don’t think it will affect the gap between the initial plan and the current guidance, but does it mean that we are seeing the improvement in the underwriting profit more strongly than at the beginning?

SA2 As you understand, the absence of the temporary factor is a major factor in year on year, but this is due to the fact that we have seen an improvement in the underwriting profit compared to the previous period, and that we are reviewing
Investment profit/loss in the current environment.

Q2: Please tell us how the increase in the cost of reinsurance is affecting FY2023 profit plan. Natural catastrophe’s budget for this FY is higher than in the past, and I would like to know if this is also the effect of changing the structure of reinsurance coverage.

A2: As you pointed out, the arrangement of reinsurance in FY2023 was very difficult due to the hardening of the reinsurance market. On the other hand, after a hard negotiations with reinsurers by taking advantages of long-term relationship, we were able to arrange reinsurance cover for domestic risk reinsurance outward with almost same level premium in FY2022. In terms of reinsurance conditions, although we have made some changes, such as raising the trigger point, we have generally been able to raise the required amount. As for the impact on our profit plan, we have factored in the profit plan where the retentions increases as a result of raising the trigger point for reinsurance.

SQ1: Is it correct that an increase in retention means an increase in risk?

SA1: That’s right.

Q3: Please tell us the factors that led to voluntary automobile insurance’s EI loss ratio raising its FY2023 forecast to 62.9% from the FY2022 forecast of 60.1% in the materials from 1 year ago (the materials for the FY2021 full-year results conference call). Also, please tell us about the risk of exceeding 62.9%, if any.

A3: The voluntary automobile insurance’s loss ratio consists of frequency and claim unit price. This is due to the fact that the number of accidents received is higher than in the original forecast and the claim unit price is also higher than expected. The risks are on both sides, but we believe it is necessary to pay particular attention to the movement of the claim unit price in repair cost.

SQ1: Some insurance companies have raised rates urgently, but please let us know if you plan to take any action before the rate revision in January.

SA1: We have nothing to say about the rate revision in voluntary automobile insurance at this moment.

Q4: Regarding the profit forecast of MS Amlin, please tell us the background of the increase of about 2 times from 148 million pounds on the basis of the old accounting standards in FY2022 excluding the Russian influence announced 1 year ago to 291 million pounds on the basis of the new accounting standards in FY2023. In addition to the increase in insurance underwriting profit, I think there may be an impact of the rise in interest rates. Also, please tell me if there are any risk factors that may cause the expected profit to fall short.

A4: Results for FY2022 is presented in the form shown on page 38 of the materials because those based on the new accounting standards (IFRS17) are not yet available. Underwriting profit for FY2023 is expected to be 162 million pounds, which is shown in the materials under the old accounting standards, calculated by earned premium less incurred
loss, commissions and business expenses. We expect to improve to 162 million pounds in FY2023, compared to the initial forecast of 16 million pounds in FY2022 (actual result of 63 million pounds).

Investment profit expects 194 million pounds on a new accounting basis. Based on the current level of interest rates and our portfolio, we assume an investment yield of 3.1%, compared to our FY2022 initial forecast of 48 million pounds based on the operating environment at the time, plans were made at a lower level than normal year, assuming the current market rate continues. There will be no change to MS Amlin’s FVPL accounting treatment, Fair Value Through Profit or Loss: Accounting for valuing financial assets in fair value and including the changes in "profit or loss", which will continue to be affected by market fluctuations as before.

Furthermore, under IFRS17, insurance financing costs, the portion of interest earned by discounting outstanding claims, will be charged as an expense, while the discount of outstanding claims on insurance services will be a positive factor.

In terms of business, we have made progress in improving non-cat risks in underwriting, and while we are diversifying our portfolio, we are carefully expanding the business in categories where profitability is high. We believe that we have a certain tolerance for downside risks, partly because we were able to raise rates as expected from January to March, and have conservatively factored natural catastrophe losses into our plans.

Q5: Did the Tokyo Stock Exchange’s discussion of a PBR of less than 1.0 affect shareholder returns this time? Also, based on the figures of 240 yen per share in dividends and 20 billion yen per share in buybacks, I have the impression you are focusing on dividends.

A5: We have not changed our shareholder return policy for FY2022. The dividend was 200 yen per share, an increase of 20 yen compared to previous fiscal year. Although the amount of dividends exceeds 50% of the Group adjusted profit, the decision was made to purchase 20 billion yen of share buybacks as an additional return. We do not plan to announce in response to the Tokyo Stock Exchange’s request for companies with a PBR of less than 1.0. As PBR improvement is highly correlated with ROE, we would like to grow by working on Improve capital efficiency by reforming our earnings structure.

Q6: For MS Amlin, marked to market valuation has been adopted an accounting standard that is reflected in profit or loss, but I wonder if there has been any discussion about deducting these factors in the Group adjusted profit calculation, which is the basis for shareholder returns. Also, you mentioned that the adoption of IFRS is scheduled to be postponed from FY2024 to FY2025, but will the postponement affect Mid-term management plan target?

A6: Since the introduction of IFRS into the consolidated financial statements in Japan is a major change that will significantly change accounting treatment and increase disclosure information, we reviewed the timing of adoption because we wanted to take more time to prepare from the perspective of accurate and appropriate financial reporting (most of overseas entity have already applied IFRS). We have already indicated our approach to the calculation of profit, which is the basis for shareholder returns, in the last FY, but we will continue to consider the final method.
Q7: Share buyback was 20 billion yen this time, so I think Total payout ratio in FY2022 will be slightly less than 73%. The payout ratio was 72.2% in the FY ended March 2019, when business performance was weak, so is it fair to understand that there is a desire to maintain this level of total payout ratio even in a period of weak business performance?

A7: There is no fixed policy other than the disclosed shareholder return policy that determines the total payout amount. In addition to the dividend as a percentage of the Group's adjusted profit, share buyback amount was determined by comprehensively taking into account ESR, liquidity, and outlook profit growth after FY2023, share price trends, and the past trend to enhance shareholder returns.

Q8: You stated that MS Amlin's investment return for FY2023 is expected to be 3.1%, but is this an estimate of the 9 months to the end of the FY, reflecting the profit and loss already known for the first quarter of FY2023?

A8: We have set MS Amlin's Investment profit/loss forecast in light of the current financial environment and do not factor in the performance of the first quarter. Both the asset side and the liability side will fluctuate regularly throughout the year.

Q9: What is outlook of overseas natural catastrophe risk in FY2023 for MS Amlin and ADI?

A9: MS Amlin is reining in the underwriting of natural catastrophe risk while capturing the gains from the hardening of rates. It should be noted that MS Amlin has a planned fund of about 1.5 times the expected natural catastrophe loss, but this is a heavily buffered fund. ADI lowered its natural catastrophe loss fund to 11.5 billion yen in FY2023 from 12.5 billion yen of last FY

Q10: Incidental factor for Group adjusted profit in FY2022 was 109.0 billion ~ 159.0 billion yen in the interim period, but how much is analyzed as results? Also, please tell me if there is a breakdown by segment.

A10: I have not listed the incidental factors by segment in FY2022, but first I see about 16 billion yen for the full year as losses related to Russia-Ukraine. We also see about 52 billion yen in Covid19 losses incurred in Japan and Taiwan, and about 31 billion yen in Investment losses due to market volatility, especially in European business. On the other hand, due to the reduction of overseas real estate assets, we sold real estate in Taiwan, resulting in a gain of about 18 billion yen. In total, these add up to 81 billion yen.

SQ1 Based on incidental factor of 81 billion yen, Total payout ratio is 50%. Am I correct in understanding that there was no additional return this time?

SA1 In light of the shareholder return policy, this 20 billion yen of share buyback is outside of the return policy, so I hope you understand that it is an additional return. Management will discuss the details at the information meeting next week.
Q11: Regarding the adjusted profit of the domestic non-life insurance business, the target in the next stage 2 is 270 billion yen. How do you think about the possibility of achievement? I understand the reason why this FY is slightly down, but please tell me if there is anything you think you can catch up on in the future.

A11: There is no change to outlook of 470 billion yen of the total Group adjusted profit for FY2025, but there is an addition and subtraction between the businesses line. We would like to explain the details at the Information meeting next week.

Q12: Please tell us about the performance of MS Amlin’s Non cat risk loss ratio. I think it was slightly worse than planned up to Q3 2022.

A12: Non-cat loss ratio, excluding Russia-Ukraine-related losses and Covid19 related losses, was 58.9%, which is roughly flat compared to the same period last year. Excluding the effect of inflation, the improvement is about 3 points in year on year.

Q13: Regarding MS Amlin's non cat risk loss ratio in 2021, loss ratio which was calculated by dividing the loss of current year contracts by earned premium was 52.2%. What is a comparable figure for FY2022?

A13: Loss ratio for FY2022 is 56.3%. This does not include the inflationary impact of approximately 3pt. The higher rate compared to FY2021 was due to the large number of medium-sized natural catastrophe not classified as large natural catastrophes. We will specify hail disasters in Europe and storms in the United States as natural catastrophe classified as it.

Q14: Can you break down the factors behind the improvement in underwriting profit at MS Amlin? The expected incurred loss for large natural catastrophe includes an increase of 69 million pounds this FY, and while some of the impact of global inflation of about 12 billion yen may be due to MS Amlin, our understanding is that positive effects such as an improved portfolio and hardening of the reinsurance market are also factored in.

A14: For FY 2023, in addition to a decrease of 97 million pounds in the Russia-Ukrainian loss and 87 million pounds in the inflationary impact of FY 2022, we expect an improved portfolio in non cat risk and improvement in profitability due to the planned increase in rates.

Q15: The forecast for FY2023 includes a decrease of 92.2 billion yen in incurred loss, a decrease of 8.9 billion yen in domestic natural catastrophe, a decrease of 6.6 billion yen in overseas natural catastrophe and a decrease of 76.7 billion yen other than natural catastrophe. Please tell us the breakdown of this 76.7 billion yen, including Covid19, large loss and profitability improvement in fire class.

A15: The breakdown of Incurred loss of 76.7 billion yen excluding natural catastrophe is 29.1 billion yen in Covid19 losses, 47.7 billion yen in large accident and other losses. Large loss
are such as fire and casualty classes.

SQ1 Please tell us whether the large losses in FY2022 are transient or may continue beyond the next fiscal year.

SA1 The large losses include not only transient but also non-transient losses. We believe that we need to analyze how many can be considered transient. In any case, measures against large accidents will be steadily implemented as part of Improvement in profitability.

Q16: I wonder if the sharp improvement in Asian results in the fourth quarter was due to the sale of real estate in Taiwan. If that is the case, is it correct to understand that the plan for Asian business in the current fiscal year is not to grow as much as the Covid19 effect is gone. Because the Covid19 effect has offset with the temporary sale effect of real estate.

A16: Your understanding is correct. However we believe that the underwriting profit will remain strong in FY2023, excluding the impact of the Covid19.

End