

**MS&AD Holdings Conference Call (November 19, 2020)**  
**FY2020 2Q 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.

MSI Primary Life : Mitsui Sumitomo Primary Life Insurance Co., Ltd.

MS Amlin : Sum of business segments including AUL (MS Amlin Underwriting Limited), AAG (MS Amlin AG), AISE (MS Amlin Insurance SE), ACS (MS Amlin Corporate Services Limited)

MS First Capital, MSFC: MS First Capital Insurance Limited

Q1: With respect to the impact of COVID-19, what has changed from the initial forecast to the current assumptions?

A1: The impacts of COVID-19 have touched a variety of our business activities, so it's difficult to say what parts are COVID-19 impacts, but we will explain incurred losses and the reduction in asset management profits by comparing them to the impact amount indicated at the beginning of the fiscal year (p. 30 of the materials).

The initial forecast was 20 billion yen in incurred losses mainly from the international business. Considering the results until the 2Q and a slight loss increase in the 2nd half of the fiscal year, we currently forecast 39 billion yen of incurred losses at overseas subsidiaries.

In the initial forecast, the decrease in investment profits was 60 billion yen combined across domestic and international business, but we revised that to 28 billion yen due to the subsequent market recovery among other factors.

Q2: Is it correct that the assumption for reduction of incurred losses in domestic auto insurance remains unchanged from the initial forecast?

A2: The number of reported accidents of auto insurance was lower than our assumption in the initial forecast, and we reflected reduced vehicle losses in our revised earnings forecast following the current circumstances.

SQ1: Does it mean it makes more positive effect on Group Adjusted Profit which catastrophe reserves are not connected with?

SA1: The reduction in auto insurance losses works to raise Group Adjusted Profit for the full year.

Q3: You stated that incurred losses due to COVID-19 impacts at MS Amlin increased 5 billion yen for the direct insurance for business interruption and 14.5 billion yen for other lines. Are we correct in understanding that the impact of the reinsurance for business interruption is included in this “other” part? Also, there are currently growing concerns about a third wave of infections. How much of an impact do you expect that to have?

A3: The impacts at MS Amlin are broken down into direct insurance of business interruption and “other”. At the 1Q earnings results conference call in August, we explained that the upside for direct insurance of business interruption in the UK would be several billions of yen even if the judgment in the suit against FCA was disadvantageous. Reviewed for loss estimation including for other regions, it increased by approximately 5 billion from the initial forecast.

“Other” category, other than the direct business interruption insurance, includes reinsurance of business interruption, credit insurance, and event cancellation insurance, etc. The 14.5 billion yen as an increase in this “other” category was due to thorough consideration of possible increase in losses even for business interruption reinsurance in other regions based on the judgment pertaining to a direct business interruption insurance in the UK, etc., and to the accumulation of additional reserves against uncertainty without specifying the event. We expect that it will fall within this range, including the effects of the second and third waves.

SQ1: How much has reinsurance increased within “other” category? Also, how much of other than the case reserve is included?

SA1: At least 90% of reserve of reinsurance is IBNR without any claim actually made. Please note that, most of the increase in 14.5 billion yen was carefully accumulated and is not tied to specific claims.

SQ2: Can we assume that it is largely transient and will fall off and become a factor in increasing profits in the next fiscal year?

SA2: Basically, yes. We believe it is transient. Although there is a possibility that COVID-19 will expand after the third wave into next fiscal year as well, we have been working to clarify terms and conditions of business interruption insurance since the COVID-19 pandemic, so that we believe the impacts will be limited.

Q4: Am I correct that within increased/decreased consolidated net income compared to the initial forecast on p. 27 of the material, the main factors for the -18.9 billion yen in catastrophe loss reserves were the small number of natural catastrophes and the fact that the loss ratio for auto insurance did not decline as much as anticipated? Furthermore,

given the high stock prices in the market currently, is it possible to promote the sale of strategic equity holdings and conduct provision for catastrophe loss reserves in fire insurance?

A4: The main factor is the reduction in automobile insurance catastrophe loss reserve reversal amounts. As noted on p. 29 of the material, there has been a 7.6 billion yen decrease in MSI and an 11.1 billion yen decrease in ADI compared to the initial forecast. There has been no significant change in fire insurance compared to the initial forecast. The fire catastrophe loss reserve balance has steadily increased through our initiatives, so we don't have any special plan in the current earnings forecast.

Q5: Is the primary factor for increase of a unit price of auto insurance the cost of in-vehicle devices installed with dashcam-type auto insurance? Also, how much is the ratio of dashcam-type insurance in the whole auto insurance.

A5: The increase in unit prices of automobile insurance is partly due to the dashcam clause, but of course it is also due to the effect of the premium rate increase. The number of vehicles currently under dashcam-type auto insurance policies is around 700,000 vehicles, and we expect that to grow to around 900,000 vehicles by the end of the fiscal year. From the perspective of auto insurance as a whole, the dashcam type does not represent a large percentage yet.

Q6: In terms of natural catastrophes, we assume you have been impacted by the heavy rainfall in July more than other companies. Can you tell us if there are any special notes for the reason regarding your portfolio (insured properties, contracts etc.)?

A6: We believe one of the factors is our market share in the affected areas.

<Supplementary Information>

In addition to the above, we confirmed that one of the factors behind the damage caused by the heavy rainfall in July was that there were many large-scale incidents centered on corporate properties.

Q7: What is the background behind the upward revision in the MSI Primary Life profits on p. 34 of the materials? What was the impact of interest rates and exchange rates?

A7: MSI Primary Life cancels foreign currency policies in Australian and US dollars whose investment targets are reached. By the end of the first half-year, the corresponding sale of bonds raised profit levels. In addition, a decline in top-line sales due to the impact of COVID-19 results in a decrease in agent commissions. Based on these results, we raised our annual profit forecast.

In terms of the structure of earnings, if the yen continues to depreciate, the profit margin

of the flow becomes larger. The stock portion is greatly affected by the year-end interest rates and foreign exchange rates, but there is also a price fluctuation reserve system, so it is not always possible to say what kind of impact the change in interest rates and foreign exchange rates will have depending on the situation.

Q8: In MS Amlin's earnings forecast, underwriting profits, if underwriting loss from COVID-19 is excluded, have been revised upward 20 million pounds compared to the initial forecast. What are the contributions of nat. cat. and non-cat lines?

A8: As noted on p. 29 of the materials, natural catastrophe losses are expected to decrease by 4.1 billion yen (34 million pounds) compared to the initial forecast at the beginning of the year.

We believe that the profitability of non-cat lines is improving smoothly as planned.

Q9: You have lowered the forecast for MS Amlin's net premiums written. Why have you done that despite the rate increase in the insurance market as a whole?

A9: MS Amlin also enjoys the benefits of the rate increase in the market, but the reason for the decrease in premiums is that we give top priority to improving profitability in non-cat lines and continue to take prudent underwriting measures, including withdrawal from unprofitable business.

SQ1: How much have rates increased for MS Amlin's policy renewals?

SA1: Rate increase for the market insurance premiums vary by region, and our current understanding of the market is that the occurrence of natural catastrophes is flat in Europe, while in Japan and the US, which experienced major losses last year, rates have increased by 20% - 40%.

MS Amlin is also implementing market-level rate increases. For example, from June through July, they achieved a rate increase of around 20% for renewals of nat. cat. treaty reinsurance in the US. On average, across all lines, MS Amlin has been able to raise rates about 6% since the beginning of the year, and thus has achieved rate increase levels that exceed those planned at the beginning of the year.

SQ2: If you are able to realize rate increases that exceed plans, does that mean you can expect a sharper recovery of profits than in the past once the impacts of COVID-19 have been eliminated?

SA2: We would like to prioritize showing everyone through our numbers that we have, at least, recovered profits as planned.

Q10: With respect to earnings forecasts for overseas insurance subsidiaries, why did you revise net income in Asia upward by 5.1 billion yen?

A10: We made the revision because, just as in Japan, the loss ratio for auto insurance has declined due to the stagnation of economic activity caused by COVID-19. Additionally, MSFC has been a positive factor due to the good result return (commission) due to its good results of outward reinsurance.

SQ1: Are we correct in understanding that the declining loss ratios for auto insurance in Asia will not immediately lead to a reduction in direct premium rates?

SA1: If the loss ratio is good in the long run, we may review insurance premium rates. However, given that Asian auto insurance loss ratios are generally at a high level, we do not believe that the recent reduction in the loss ratio will likely lead to a reduction in direct premium rates.

<Supplementary Information>

The improvements in Asian auto insurance loss rates also include, in addition to the impacts of COVID-19, the effects of profitability improvement efforts that we have been working on continuously.

Q11: Why is your full-year profit forecast for the international life insurance business lower than the forecast at the beginning of the year?

A11: Some equity-method affiliates included in the international life insurance business have adopted accounting methods that reflect changes in the market value of securities in P/L. In terms of this fiscal year, although the market level at the end of December 2019, which was the end of last fiscal year, was high, the drop in March forced us to create a new outlook due to the parts of unrealized losses that have not recovered and realized losses.

SQ1: Didn't you include the stock market level at the end of March in the forecast at the beginning of the year?

SA1: Although it is based on the level at the end of March, the market environment at the end of March was extremely low, so we took the situation for April onward partially into consideration. There are parts that are not fully captured because they were forecasts of investees' results, not our subsidiaries.

Q12: You have announced share buybacks. What is your approach to prioritizing share buybacks over dividend increases? Also, will there be any conditions for dividend increases toward the end of the fiscal year?

A12: We elected to repurchase our own shares at this time after taking into consideration the current stock price situation, and in order to improve capital efficiency. Additionally,

although we raised the Group Adjusted Profit forecast by 30 billion yen, we prioritized share buybacks over dividend increases because we expect profits to be lower than in the previous fiscal year. Although we believe we can raise dividends in the future after we have confirmed we can steadily increase profits going forward, we would like you to hear directly from our management at the information meeting regarding their ideas for the shareholder return policy.