

MS&AD Holdings Conference Call (February 14, 2024)
FY2023 Third Quarter 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.

MSA Life: Mitsui Sumitomo Aioi Life Insurance Co., Ltd.

MSI Primary Life : Mitsui Sumitomo Primary Life 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

- Q1: In 3Q, the progress rate of group adjusted profit against the full-year forecast(280 billion yen) was 95.5%. Please explain if there is anything that we should consider as a risk in 4Q.
- A1: In domestic non-life insurance, certain fund has been secured for the trend of automobile losses, natural catastrophe losses including snow disasters, but there is a possibility that they will be fluctuated in the future.
- Domestic life insurers are relatively stable, and MSI Primary Life was in deficit at the midterm, but the interest rate situation has changed and has been on track to achieve the plan.
- As for international businesses, most of the overseas subsidiaries' financial results are fixed three months before, so we understand the situation and the progress has been good.
- With regard to interest rate fluctuations, it is expected that MSI Primary Life has been reducing fluctuations in interest rate impact. Therefore, we believe that fluctuations in interest rates impact have become less volatile than before. With regard to exchange rate fluctuations impact, I believe that they will cause some fluctuations.
- Q2: I believe that you will submit a business improvement plan to the Financial Services Agency(FSA) at the end of February. What do you think about the accelerated reduction of strategic equity holdings?
- A2: The current plan for the reduction of strategic equity holdings in the medium-term management plan is 600 billion yen over 4 years. As it was pointed out that the holding of strategic equity holdings is hindering the appropriate competitive environment for insurance contracts in relation to administrative actions, we are considering a plan to significantly accelerate the current reduction plan. Specific details will be presented in the business improvement plan submitted by MSI and ADI to the FSA at the end of February.
- SQ1: If you recognize that it is hindering the competitive environment, would you be aiming to sell all the strategic equity holdings? Also, if the gain from the sale of

strategic equity holdings increases significantly, would you consider it as a source of return to shareholders? If the ESR rises and the capital level becomes surplus, can we recognize that if you do not have a plan to invest immediately, it will also increase the need for shareholder returns?

SA1: We are currently considering whether to reduce the balance of strategic equity holdings to zero. Regarding your question about whether to use the profit from the sale of strategic equity holdings as a source of shareholder return, in light of our current shareholder return policy, we have indicated that 50% of the profit from the sale will be returned to shareholders after tax, so I think we will follow that.

In addition, if the ESR exceeds the upper limit of the target range due to the sale of strategic equity holdings, we will consider additional returns based on the market environment, capital situation, etc., as indicated in our shareholder return policy, so we will consider in line with that policy.

Q3: I would like to know how to manage the progress of the plan. As the cumulative nine-month progress rate against the initial year forecast was 76%, I think it is possible to view that you did not have to lower the full-year forecast in the announcement of the interim results. I understand that this is because the situation in financial markets, etc. that you assumed at the interim point of time changed slightly in the 3Q. What are your company's thoughts?

A3: At that time, we made downward revisions in light of automobile insurance losses and natural catastrophe losses. After that, the outlook at that time was not significantly changed. As for the 3Q results, we believe that the situation has exceeded the plan.

Q4: With regard to coinsurance issues, as stated by the FSA and the Minister of Finance, I personally believe that the root cause of the problem was that governance in the management of non-life insurance companies, including MSI and ADI, was not functioning sufficiently, and that sensitivity to risks on the ground and antennas were low. I think that cross-shareholding itself is not bad. Please explain how it is currently clarified as a holding company and management.

A4: Regarding your opinion on the FSA's administrative order, there are some parts that are difficult to comment on, but I think we need to address the points the FSA pointed out one by one. In addition to the lack of governance and risk detection power, the FSA requires us to correct the environment that hinders healthy competition. Therefore, it is our basic approach to consider these issues thoroughly and reflect them in our improvement plan.

SQ1: Do you mean that, at this moment, you still have not fixed what the final report to be submitted to the FSA will be and how it will be disclosed?

SA1: Yes. Please wait until the business improvement plan will be submitted. The disclosure method is currently under consideration.

Q5: I am aware that 3Q results does not include the effects of natural catastrophes or earthquakes that occurred at the beginning of 2024, but the progress looks good. As of 3Q, please explain a

little bit more about the good and bad points compared to the plan that was reviewed in the interim period.

A5: As for domestic non-life insurance, we reviewed the plan due to automobile insurance losses and large losses of fire and casualty insurance at the interim period. However, losses have occurred at a slightly higher pace than this, and we recognize that we need to continue to improve insurance underwriting profitability. With regard to asset management, profit from interests and dividends and gains on the sales of stocks are even better than after the review, and asset management covers the behind of insurance underwriting profitability.

With regard to domestic life insurance of 3Q, the decline in interest rates has been particularly positive for MSI Primary Life. We believe that MSI Aioi Life is progressing almost as planned. There are several positive factors toward the full-year forecast, but at the moment excluding the planning gap due to the fact that we kept interest rates flat, we are not out of line with the plan.

As for international business, it is difficult to evaluate the 3Q results because we have already revised the forecast based upon the results of most of the companies with 3 months gaps, but there are positive factors at each entity, and we believe that the overall progress is fine.

Q6: Could you explain a little more about the change in momentum regarding the automobile insurance loss ratio, whether it is improving or not?

A6: The trend continues to be an increase in the frequency of accidents and an increase in the unit price of property damage due to an increase in traffic volume. The frequency of accidents was slightly higher than the revised forecast, despite the review at the interim period.

Q7: Regarding the international business, please explain the expected full-year results compared to the plan. MS Amlin seems to absorb the natural catastrophes losses for this fiscal year, so please explain this point as well.

A7: Most of the overseas subsidiaries adopted financial results from January to December, but this fiscal year has not been closed yet, so please excuse us not saying the specific figures.

MS Amlin is also still under scrutiny. Although major natural catastrophes occurred in September to December 2023, their expected losses were within the plan, and the non catastrophe loss ratio has been good so far, so we expect that we will exceed the full-year forecast.

Q8: The ESR is rising. Please explain positive factors worked for ESR.

A8: The ESR increased by 16 percentage points from the end of March 2023 to the end of December 2023, of which the main positive factors were an increase in retained earnings and a decrease in the amount of risk associated with a reduction in strategic equity holdings. On the other hand, the main negative factor was an increase in the amount of risk associated with an increase in investment in expected return assets.

SQ1: How was the change from the end of September to the end of December 2023? Was there an impact of the yen's appreciation over the past 3 months? Despite the yen's appreciation, the rise in the ESR seemed significant, and I would like to confirm the

reason.

SA1: The yen's appreciation has contributed negatively to the ESR. The detailed figures cannot be disclosed.

Q9: Regarding the impact of natural catastrophes since January 2024, please explain the impact of the Noto Peninsula Earthquake, the collision accident at Haneda Airport, and the heavy snow in central Tokyo in February.

A9: As for the Noto Peninsula Earthquake, we calculated the total losses about 10 billion yen by the natural catastrophe model based on the exposures underwritten by MSI and ADI. The aircraft collision at Haneda Airport was covered by the aviation insurance pool. The expected losses will not have a significant impact on our business results. The snow disaster in Tokyo in February is also not expected to have a significant impact on our business results.

Q10: Losses on commercial real estate loans in the United States have been reported recently. What is the balance of commercial real estate loan exposure and the impact on business results?

A10: For commercial real estate, MSI Primary Life has a U.S. exposure of about 300 billion yen. MSI Primary Life holds the securities for trading purposes, but there is no impact on the financial results at this moment.

Q11: You have just explained that the acceleration of the sale of strategic equity holdings will be included in the business improvement plan submitted at the end of February 2024. For example, are you considering disclosing a specific amount, or is it to indicate your intention to "accelerate the sale of strategic equity holdings" Please explain what kind of disclosure is possible.

A11: Currently, MSI and ADI are considering the specific details to be included in the business improvement plan. Since the submission will be made in response to a business improvement order, we recognize that the submission of specific details will be required.

Q12: Please update the loss ratio of ADI's overseas automobile insurance. Regarding the impact of theft, inflation, etc., please explain if there are any changes through the 3Q of FY2023.

A12: The loss ratio of automobile insurance in ADI increased by 6.6 percentage points from the same period of the previous year, of which the overseas automobile insurance impact was 1.6 percentage points. The loss ratio for overseas automobile insurance was 97.1%, an increase of 13.5 percentage points from the previous fiscal year, slightly exceeding the plan. The main cause was an increase in the number of large losses for personal injury coverage and thefts at our European subsidiaries, but the trend has not changed significantly from that previously explained.

Q13: At the information meeting held in the second quarter of FY2023, you explained that you would consider restructuring overseas businesses other than MS Amlin. Please explain the progress.

A13: As for the direction of ADI's overseas business, we are in the process of considering it. When we have made a concrete decision, we will disclose about it.

Q14: Regarding the acceleration of the sales of strategic equity holdings, proceeding with the dissolution of cross-shareholdings will lead to the sale of MS&AD holdings shares as well. It will be a factor of deterioration in supply and demand for MS&AD shares. Please explain if there are any measures for this assumption.

A14: We would like investors who understand the improvement in corporate value over the medium to long term to hold our company shares. In addition to IR activities, we are also considering other options.

SQ1: Will cross-shareholdings be resolved through market transactions?

You mentioned that the specific policy will be included in the business improvement plan submitted at the end of February 2024. As it is necessary to obtain the approval of the issuer, so I presume that it will take time in practical terms. Is my understanding correct??

SA1: In the case of a normal cross-shareholding dissolution, the main scenario would be market trading, but depending on the size of the cross-shareholding dissolution, we should consider alternative methods.

The time frame is tight, but we would like to sell after careful discussion and coordination with the issuer about the method and timing of the sale. The target and time frame of the sale will be indicated in the business improvement plan and reported.

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