

MS&AD Holdings Conference Call (May 20, 2025)
FY2024 Full Year 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.

AUL: MS Amlin Underwriting Limited

MS Re: MS Reinsurance*

*Brand name launched by MS Amlin AG in September 2022

Challenger: Challenger Limited

MSIG USA: Brand names of

Mitsui Sumitomo Marine Management (U.S.A.), Inc.,

Mitsui Sumitomo Insurance Company of America,

MSIG Specialty Insurance USA Inc.,

MSIG Insurance Services, Inc., and

Mitsui Sumitomo Insurance USA Inc.

MS Transverse: MS Transverse Insurance Group, LLC

WRB: W. R. Berkley Corporation

Q1: I just wanted to check the FY2025 forecast for AUL and MS Re as described on pages 42-43. Excluding the California wildfires losses that additionally recorded for FY2024 as consolidation adjustments, what is the baseline profits or loss ratios for AUL and MS Re in the FY2025 forecast?

A1: As you understand, the FY2025 forecast for AUL and MS Re on pages 42-43 include figures that account for the wildfires. AUL and MS Re are expected to achieve their forecasts including the impact of wildfires, which is believed to make it possible for the entire group to meet its target.

As indicated in the assumptions for earnings forecast on page 34, AUL and MS Re have forecasted natural catastrophes at 49.1 billion yen, which includes the impact of wildfires. Due to the wildfires that occurred in the first quarter, the progress compared to the natural catastrophe forecast is ahead of schedule; however, improvements in attritional losses and other factors contribute to our expectation of achieving the annual forecast outlined on pages 42-43.

SQ1: On page 42, it is mentioned that "anticipated market rate reductions" for AUL. Specifically, in which lines of business is this trend anticipated?

SA1: The softening is being observed in inward reinsurance property lines.

Q2: I understand that 200 billion yen share buybacks will be conducted during FY2025, including 85 billion yen for the end of FY2024 and 115 billion yen for the interim period of FY2025. Does the 115 billion yen for FY2025 include an additional return?

A2: The 85 billion yen share buybacks will be conducted as part of the basic return for the FY2024 results. Additionally, for FY2025, we plan to repurchase 60 billion yen as an additional return, on top of the 55 billion yen buybacks as part of the basic return.

In the past, the expected amount of share buybacks was not disclosed at the beginning of the fiscal year because it could easily be calculated from the group adjusted profit and forecasted dividend per

share. We took different approach this fiscal year because the company already decided to repurchase 60 billion yen stocks as part of an additional return in the course of FY2025.

Q3: Both the basic return for the first half and additional return were announced at the beginning of the period. Why did you disclose shareholder return in the beginning of the fiscal year in this way? Are you going to disclose the amount of share buybacks in the same way for future financial periods? Also, if ESR exceeds the upper side of the target range, or the group adjusted profit overshoots, can we expect higher shareholder return in the first half?

A3: We decided to conduct a 60 billion yen additional return for this fiscal year, which is why we disclosed the amount of share buybacks in a different way. This 60 billion yen repurchase was decided based on the idea of returning the equivalent amount to shareholders after deducting tax and fees from the sale of the Challenger shares.

If performance exceeds expectations, there is a possibility of increasing returns through dividends or share buybacks within basic return. Also, if ESR exceeds expectations, we will consider share buybacks for capital level adjustments. However, nothing is decided at this point, and there is a possibility of additional disclosure of share buybacks after reviewing the full-year, as we conducted share buybacks as an additional return linked to FY2023 results a year ago.

Q4: What are the extraordinary losses being adjusted on a consolidated basis?

A4: As stated on page 34, we have factored in merger costs of 45 billion yen for extraordinary losses. The breakdown includes system integration costs of 42-43 billion yen, with the remaining costs related to branch restructuring and consolidation. Various costs will arise through the merger process, but we have included only major cost increases. System costs include those that are expensed and those that are capitalized, but we have assumed all will be expensed this time.

Q5: Is it reasonable to expect that the share buybacks plan of 115 billion yen will be determined at the time of the second quarter earnings announcement? Also, can you explain why the repurchasing for the current 85 billion yen share buybacks is set until December2025?

A5: As for the 115 billion yen share buybacks, apart from the decision to proceed, no other details have been decided at this point. Regarding the decision to repurchase 85 billion yen, we have set the acquisition period with sufficient leeway due to the relatively large amount.

SQ1: Are there any reasons why the share buybacks was not set to 145 billion yen, including the proceeds from the sale of Challenger shares, instead of 85 billion yen?

SA1: Regarding the additional return based on the proceeds from the sale of Challenger shares, we intend to set the timing considering the realization of the sale, etc.

Q6: What is the adjusted profit for FY2025, excluding the after-tax gains from the sale of strategic equity holdings, and what is the anticipated percentage growth?

A6: The group adjusted profit forecast for FY2025 is 671 billion yen, with approximately 290 billion yen

from strategic equity holdings. Excluding strategic equity holdings, it is approximately 380 billion yen. Compared to FY2024, we expect an increase of about 18% excluding gains from the sale of strategic equity holdings.

Q7: Will you instruct securities companies to conduct the share buybacks and then they begin buying shares in the market accordingly? Also, if Toyota Motor Corporation sells MS&AD shares again this year, could it potentially impact your action about repurchasing share in the market?

A7: The specific method for repurchasing 85 billion yen shares is yet to be decided at this time. Also, regarding the dissolution of strategic equity holdings with Toyota Motor Corporation, negotiations are ongoing, so details cannot be disclosed at this time. However, as the dissolution of strategic equity holdings may lead to the sale of our shares, we plan to consider appropriate actions while taking supply and demand into account.

Q8: Regarding the forecast for Americas shown on page 41, you have set a high-level profit forecast of 32.4 billion yen. How is an increase of 10 billion yen anticipated, including the profits from WRB?

A8: The increase of 9.9 billion yen in profits in Americas is mainly based on the growth of MSIG USA and MS Transverse. MSIG USA plans to increase profits driven by local businesses. With regard to WRB, during FY2025, we will recognize dividend income (as we accumulate shares). The reflection of our share of WRB's earnings in our consolidated figures is expected from FY2026.

Q9: It is stated on page 46 that the net interest and dividend income for the two major domestic insurance companies decreased by 28.9 billion yen compared to the previous fiscal year. Can you explain the reasons for this?

A9: In addition to the decrease in stock dividends due to the sale of strategic equity holdings, a stronger yen in the assumed exchange rate, which is the basis for the forecast, leads to decreased interest income from foreign bonds and other factors.

Q10: On page 13, it is stated that the loss amount incurred due to the California wildfires for ADI is 16.4 billion yen. I assume this is from ADI head office reinsurance business. ADI head office reinsurance sometimes seems to incur losses, but will it continue even after the merger?

A10: The rationale of ADI head office reinsurance business has gradually been redefined within the group while considering segregation between ADI and MSI, reducing exposure to volatile North American natural catastrophes while continuing underwriting. Currently, despite the impact of the California wildfires, recent insurance underwriting performance has improved. Whether or not it will continue after the merger is not decided at this time. We will carefully consider how to operate the international business within the group as a whole, and I hope to provide more explanation at next week's information meeting.

Q11: Regarding the group adjusted profit for FY2024 results, can you explain the reasons for the differences from the forecast in the domestic insurance business and international business respectively?

A11: In the domestic insurance business, insurance underwriting profit (before catastrophe reserve)

increased mainly due to the effect of increased insurance premiums and the decrease in domestic natural catastrophe losses, in addition to increased gains from the sale of strategic equity holdings and interest and dividend income.

In the international business, despite the additionally recorded losses for the California wildfires, the results exceeded the forecast due to strong insurance service and financial profit/loss in Americas, as well as improved profitability in ADI international business.

Q12: Could you explain the factors contributing to the 54.6 billion yen year-on-year change regarding the group adjusted profit forecast for the international business in FY2025?

A12: We anticipate profit expansion in Lloyd's and Reinsurance and Americas, the removal and reversal of the additional recorded losses for the California wildfires, and the impact from the sale of Challenger shares.

Q13: The top line for Europe seems to be showing a slowdown trend. Could you provide the future outlook?

A13: We will confirm and provide a separate response.

<Supplementary Response>

The forecasted top line decrease for FY2025 is due to technical factors where some insurance premiums are not reflected in the forecast. We anticipate steady profit growth over the next few years due to strengthened cross-selling in major targets with the merger of the two European companies in 2025.

Q14: Regarding MSI's underwriting profit before reflecting catastrophe reserve for FY2025, I believe the base profit excluding the impact of natural catastrophe losses is improving. Can you explain the reasons for this?

A14: The improvement is driven by rate increases in auto insurance and fire insurance. Additionally, for fire insurance, we are working on shortening the insurance period, having set the maximum insurance period to 10 years in 2015. The policies with a 10-year insurance period are expected to mature in large quantities in FY2025, and we anticipate a significant effect from replacing them with new policies at premium rates that are profitable.

SQ1: Am I correct in understanding that you are not assuming a scenario where there are many large losses in FY2024 that will not occur in FY2025?

SA1: Yes, that is correct.

Q15: Could you provide the outlook for ADI international business?

A15: Regarding the group adjusted profit for ADI international business in FY2025, excluding the head office reinsurance business, the main component will be Toyota's retail business, etc., and we anticipate an improvement of about 1.6 billion yen compared to the previous year.

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