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**Mitsui Sumitomo Insurance and Fairfax Financial Holdings to Enter into a Global Partnership**  
**Mitsui Sumitomo Insurance to Acquire First Capital Insurance, Singapore's Largest Commercial Property and Casualty Insurer**

Mitsui Sumitomo Insurance Company, Limited ("MSI", President: Noriyuki Hara), a subsidiary of MS&AD Insurance Group Holdings, Inc. ("the Company", President: Yasuyoshi Karasawa), today announces it has reached an agreement with Fairfax Financial Holdings Limited ("Fairfax") to enter into a global partnership and to acquire First Capital Insurance Limited ("First Capital Insurance"), Singapore's largest commercial property and casualty insurer ("the Acquisition").

**1. Global Partnership with Fairfax and Background of Acquisition**

*MSI will enter into an agreement and explore a broad global partnership with Fairfax in various areas including reinsurance relationships that would lead to successful growth and value creation for both parties.*

MSI, as well as the Company, is working to grow enterprise value through sustainable growth, ensuring financial soundness, enhancing profitability and improving capital efficiency, based on the medium-term management plan "Next Challenge 2017." Our international business is positioned as a growth engine to support these efforts, and we have been working to increase stable profits and spread risk through diversification of our portfolio and by continuously investing in areas of high profitability and growth.

Based on this strategy, we have rapidly grown to become the top non-life insurer (as measured by direct written premiums) in the ASEAN region and expanded our operations centered on Asia, building on the momentum from our acquisition of the Asian non-life insurance

operations of UK company AVIVA, in 2004. We are further strengthening our revenue base through significant efforts in emerging markets where future growth is expected and we have increased our presence in Europe and the US, major insurance markets, by developing direct insurance business in Continental Europe and acquiring Amlin plc in February 2016.

In order to maintain and strengthen our leading position in the ASEAN region as well as to complement our existing operation and achieve synergies, MSI will acquire First Capital Insurance, one of the leading players in the Singaporean non-life insurance market.

## 2. Outline of the Acquisition

(1) Target company: First Capital Insurance Limited

(2) Acquisition method:

Acquisition of 97.7% of the shares of First Capital Insurance by MSI

(3) Status of the shares prior to and after the Acquisition, purchase price and number of shares:

Number of shares held prior to acquisition	0 shares (Number of voting rights: 0) (Percentage of voting rights held: 0%)
Number of shares to be held after acquisition	24,427,799 shares (Number of voting rights: 24,427,799) (Percentage of voting rights held: 97.7%)
Acquisition price	Common shares of First Capital Insurance: Approximately USD1.6billion (Approximately JPY174.4 billion) Advisory and other fees: Approximately JPY 1.1 billion Total: Approximately JPY 175.5 billion

(4) Acquisition Terms: USD 65.5 per common share

This acquisition price represents a book value<sup>(Note 1)</sup> multiple of 3.3x.

(5) Acquisition Financing: The funds for the Acquisition are to be provided from cash on hand<sup>(Note 2)</sup>.

(6) Time of Completion: Subject to the receipt of approvals from the relevant regulators, completion is planned to occur in the fourth quarter of the fiscal year (i.e., January 2018 to March 2018).

\* In these materials, we calculate figures using exchange rate of 109 yen per USD.

(Note 1) As of June 30, 2017. 80 yen per SGD.

(Note 2) The company does not intend to raise equity-finance for this transaction.

### **3. Strengths of First Capital Insurance**

#### **(1) Presence in the Singapore Insurance Market**

First Capital Insurance is the largest property and casualty insurance company in the Singapore market in terms of gross written premiums and a leading player in Singapore with annual profits of approximately JPY 7 billion.

#### **(2) High Profitability**

First Capital Insurance has strengths in underwriting corporate/commercial risks located in the ASEAN. First Capital Insurance has maintained high profitability with a five-year average combined ratio of 76% and ROE of 15%. In addition, First Capital Insurance has diversified underwriting risk portfolio across geographies and products with limited exposure to natural catastrophe risks.

#### **(3) Strong Business Base**

First Capital Insurance has strong and stable relationships with clients, reinsurers and brokers, under a company philosophy that values trusted relationship with business partners.

### **4. Rationale for the Acquisition**

#### **(1) Enhance profitability and realize further growth in Singapore**

The acquisition will enable us to become a No.1 insurer in Singapore non-life insurance market. The acquisition is highly complementary as First Capital has a strong presence and underwriting capability in the local corporate market which fits well with MSI who has a competitive advantage in retail and SME business.

#### **(2) Further strengthen our Leading Position in the ASEAN Region**

MSI is the only non-life insurance company in the world with operations in all 10 ASEAN countries, and has the largest market share in terms of GWP for non-life insurance. First Capital Insurance is a leading insurer in the ASEAN region in term of both GWP and profit. By acquiring First Capital Insurance, we can also cement our position as the No.1 in the ASEAN region. In addition to its strengths in underwriting local commercial risk in Asia, First Capital Insurance has growth strategies in the retail business by utilizing digital technologies. By integrating the capabilities of First Capital Insurance and MSI's network in the region, we can expect new business opportunities in the local corporate and retail market

in Singapore as well as other Asian countries.

(3) Synergies through global partnership with Fairfax

Fairfax is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and investment management (Total premium income of approximately 1 trillion yen.). Fairfax has insurance and reinsurance operations globally, with a presence in more than 30 countries, with great presence in North America and the Lloyd's market. Fairfax also owns FairVentures that conducts research and development of digital technologies enabling application of these technologies to its insurance business globally. The global partnership with Fairfax, in areas including reinsurance and digital technologies, will enable further growth in our overseas businesses.

(End of document)

[Attachments]

**【1. Corporate Outline of First Capital Insurance】** (As of the end of July 2017, unless otherwise stated.)

(1) Trade name	First Capital Insurance Limited		
(2) Year of incorporation	1950		
(3) Headquarters	Singapore		
(4) Management	CEO: Ramaswamy Athappan		
(5) Number of employees	About 160		
(6) Main lines of business (of the Group)	Property and casualty insurance		
(7) Capital	SGD 26.5 million		
(8) Rating	A.M. Best: A (Excellent)		
(9) Listed on:	Not listed		
(10) Fiscal year	Ending on December 31 of each year		
(11) Major shareholders and shareholding ratio	Fairfax Asia Limited <sup>(Note 3)</sup>	:	97.7%
	Others	:	2.3%
(12) Ties with MSI	There are no capital ties or personnel ties, but there are reinsurance transactions.		
(13) First Capital Insurance's consolidated business results and financial condition over the last three years	(unit: millions of SGD)		
Fiscal year	Ended Dec 2014	Ended Dec 2015	Ended Dec 2016
Consolidated net assets	501	578	664
Consolidated total assets	1,753	1,908	1,967
Gross written premium	532	548	542
Net written premium	206	184	209
Underwriting revenue	52	55	67
Consolidated current net profits	79	80	89
Combined ratio	73.9%	71.4%	67.3%
ROE (Return on Equity)	17.3%	14.8%	14.3%

(Note 3) a wholly-owned subsidiary (intermediate holding company in the Asian region) of Fairfax.

**【2. Corporate Outline of Fairfax】** (As of the end of July 2017, unless otherwise stated)

(1) Trade name	Fairfax Financial Holdings		
(2) Year of incorporation	1985		
(3) Headquarters	Toronto, Canada		
(4) Management	Chairman and CEO: Prem Watsa		
(5) Main lines of business (of the Group)	Insurance, Reinsurance and Investment management		
(6) Common shareholders' equity	USD 8,484 million <sup>(Note 4)</sup>		
(7) Rating	S&P: BBB- Stable		
(8) Listed on:	Toronto Stock Exchange		
(9) Fiscal year	Ending on December 31 of each year		
(10) Ties with MSI	There are no capital ties or personnel ties, but there are reinsurance transactions.		
(11) Fairfax's consolidated business results and financial condition over the last three years	(unit: millions of USD)		
Fiscal year	Ended Dec 2014	Ended Dec 2015	Ended Dec 2016
Consolidated net assets	9,743	12,018	11,820
Consolidated total assets	36,131	41,529	43,384
Gross written premium	7,459	8,655	9,534
Net written premium	6,301	7,520	8,088
Underwriting revenue	400	532	390
Consolidated current net profits	1,664	642	▲394
Combined ratio	90.8%	89.9%	92.5%
ROE (Return on Equity)	18.6%	6.5%	▲3.9%

(Note 4) The figures shows Common shareholders' equity at the end of December 2016.

***Important information***

*This document has been prepared, in any jurisdiction, for the purpose of publicly announcing the acquisition of shares by Mitsui Sumitomo Insurance Company, Limited ("MSI"), a subsidiary of MS&AD Insurance Group Holdings, Inc. ("MS&AD Holdings", MS&AD Holdings and MSI collectively, "MS&AD") which results in the change of subsidiary of MSI, and not for the purpose of soliciting investment or engaging in any other similar activities within or outside Japan.*

*The information contained herein does not, and is not intended to, constitute an offer to sell securities in the United States. In the United States, no securities may be offered or sold unless registered under the Securities Act of 1933 or pursuant to an exemption from such registration.*

***Forward looking statements***

*This document contains forward-looking statements. These forward-looking statements are based on MS&AD's current assumptions, expectations and beliefs in light of the information currently possessed by it and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause MS&AD's actual results, financial position or cash flows to be materially different from any future results, financial position or cash flows expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include those contained in the MS&AD's latest Annual Securities Report and Quarterly Securities Report etc., and MS&AD undertakes no obligation to publicly update or revise any forward-looking statements.*