

MS&AD Insurance Group Holdings

2nd Information Meeting of FY 2017 (Held on November 28, 2017)

Q&A Session Summary

Below is a summary of Q&A session from the Information Meeting held on November 28, 2017

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

MS&AD Holdings, Holding Company : MS&AD Insurance Group Holdings, Inc.

MSI : Mitsui Sumitomo Insurance Co., Ltd.

ADI : Aioi Nissay Dowa Insurance Co., Ltd.

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

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

MS Amlin : MS Amlin plc

First Capital, FC : First Capital Insurance Limited

Challenger : Challenger Limited

ReAssure : ReAssure Jersey One Limited

Q1 : On the right side of page 10, you explained that MS Amlin is reducing natural catastrophe risk and increasing the weight for general risks other than natural catastrophes, but it appears that the loss ratio for general risks has worsened.

Could you explain how Risk Management division of the holding company and/or MSI are monitoring general risks?

A1 : MS Amlin's earnings structure breaks down into about 50% for underwriting of natural catastrophe risk, under 40% for investment income, and over 10% for underwriting of general lines risk. Therefore, it has a business model where it generates income mainly from natural catastrophe and asset management.

Regarding monitoring of general lines risk, we are already carrying out investigations, and we have already specified the reasons why loss ratios have worsened in some categories. In addition, we have already adopted countermeasures such as suspending contracts that are not performing well.

As overseas it is relatively easy to exchange underwriting portfolio, we believe we can restore profitability in one to two years.

Q2 : So far, you have promoted initiatives focused on ASEAN, but I would like to know your views on initiatives in China, where regulations on foreign insurers are expected to be reduced going forward.

A2 : China is a region where our reorganization by function has not been completed. MSI has formed an alliance with third-ranking China Pacific Insurance (Group) Co., Ltd. and ADI has done the same

with second-ranking Ping An Insurance (Group) of China, Ltd. These partners underwrite automobile insurance and other business and we underwrite through reinsurance from the above partners.

Our subsidiaries mainly deal with Japanese-affiliated companies. They are steadily producing income and have high profit levels even among foreign-owned general insurance companies.

It appears that foreign-owned insurance companies have a less than 2% share of the Chinese market. Even if deregulation advances, we intend to promote business in the local market through alliances and collaborative relationships in principle, given the complexity of the Chinese market.

Q (follow-up): Is there a possibility that you will make additional capital contributions to alliance partners?

A(follow-up): At present, MSI is a minority shareholder in the partner, but if business expands and the time comes when a capital increase is required, we will respond flexibly.

Q3 : What are your views on large-scale M&As and due diligence going forward? Also, I would like to know how you will control the worsening in the loss ratio at MS Amlin?

A3 : Since the weight of Domestic Non-life Insurance Business is high, we believe we need to promote diversification of the portfolio by increasing the weight of Domestic Life Insurance business and International Business.

We are focusing on Asia, but if there are any good opportunities, including in North America as well, we will consider them and we are aiming for geographical diversification.

Regarding the worsening of the loss ratio at MS Amlin, we have similarly worked to expand the casualty lines as part of our attempt to diversify the portfolio in areas other than natural catastrophes. Some specific categories of these policies have not performed well, but we have already identified the causes and adopted countermeasures, so if the improvement progresses, we believe that enterprise value will reach our initial estimate.

Regarding due diligence, we understand we conducted the process adequately and appropriately when acquiring MS Amlin. We will make effective use of our acquisition experience up to now in further enhancing our due diligence capability and address acquisition projects going forward.

Q4 : When looking at recent business investments, they did not entail complete acquisitions but rather a partial capital contribution. Has your stance on M&A changed?

A4 : We decided to make minor capital contributions to Challenger and ReAssure. In the case of overseas life insurance business, as we are buying its growth and they are also pure local businesses, our basic stance is to build partnerships with majority-owned companies that have local strength and know-how.

On the other hand, our basic stance on overseas non-life insurance business is to make 100% capital

contributions.

Q5 : What is your view on the rise in (re-)insurance premiums from next fiscal year?

A5 : The market's view is that the rise will be around 10%, and I think the market consensus is around 5% either side of this, which is the same as our view.

Q6 : The target business portfolio you are aiming for on page 15 shows 50% for Domestic Non-Life Insurance Business. Is it correct to understand that this means 50% of your revised Group Core Profit?

A6 : While considering this target in the process of working on the revised definition, we also intend to accomplish it on the previous definition basis. We would not change the definition for that purpose.

Q7 : Do you think that the level of profit in the Domestic No-life Insurance Business in four years, after the end of the next medium-term management plan, will be higher or lower than the current level?

A7 : We believe that the level of profit in automobile insurance will gradually shrink. In the case of fire insurance, however, we expect profit to improve because of the reinforcement of ERM from the underwriting losses that continued for several years, and underwriting profit will also increase in association with the expansion of the top line in "Other" insurance. Therefore, we are developing the next medium-term management plan based on the assumption that we will maintain or expand the level of profit.

Q8 : On page 9, the future expense ratio target is 30%. MS&AD Group has two core non-life insurance companies, and despite having many employees and agents, I believe they have reduced the expense ratio by making considerable efforts. Does the 30% level assume the continued existence of the two companies? What kind of measures will you take to reduce the ratio even further?

A8 : MSI has already reached this level and it is not an unreasonable target. We have reduced the level of 35% at the time of the inauguration of the MS&AD Group to a level of 32% through initiatives such as reorganization by function. We intend to realize this target by continuing to promote efficiencies such as the sharing of claims services systems and standardization of products and operating procedures. Regarding the continued existence of the two companies, we regard all kinds of possibilities as options, so you should consider that this is assumed.

Q9 : You explained that the level of 200% for the ESR was not stable, but signs of stability appear to have increased in view of the current market share price level and other factors. What points are you concerned about?

Also, do you plan to revise the calculation method of NAV and integrated risk amount for the ESR in the next medium-term management plan?

A9 : Once acquisition processes are finalized, the ESR will decline from the current level of 199% and we believe it will take some time to recover to the 200% level. Regarding the measurement of the ESR amid our efforts to improve capital efficiency leading up to the next medium-term management plan, we will review various matters including whether to change the current pre-tax calculation to an after-tax calculation.

Q10 : In the next medium-term management plan, will the Company enter into a phase of reviewing capital policy and returning surplus capital to shareholders or a phase of aiming for top-line growth, including M&A?

A10 : We do not intend to just aim for top-line growth. Profitability is our top priority, and we will consider M&A while examining capital efficiency. From the perspective of increasing capital efficiency, shareholder returns are also an option. There has been no change in our direction of growing steadily and increasing the absolute amount of profit.

Q11 : At the top left of page 15, in regard to the direction of the next medium-term management plan, you explained that the Company plans to review the definition of Group Core Profit, which is the source of shareholder returns. Is it correct to understand that the Company will consider increasing the source of shareholder returns in regard to the net balance of the catastrophe loss reserve and gains on the sale of strategic equity holdings? In tandem with the change in definition, is there a possibility of changing the ratio of return to shareholders, which is currently 50%? The ESR is close to the target level of 200%, so do you intend to raise the 50% ratio of return?

A11 : As you understand, we are considering such factors as the catastrophe loss reserve and gains on the sales of strategic equity holdings with the future introduction of IFRS. Regarding the ratio of return to shareholders, in the case of before reflecting the catastrophe loss reserve, profit volatility will increase unlike before. Therefore, for the sake of keeping stable returns, we are considering factors to ensure some flexibility, which also includes a ratio of return within a certain “range”, instead of the current certain “figure”. We are considering to maintain the level of shareholder return and aim to expand it by increasing Group Core Profit.

Regarding the ESR, I do not think that we can maintain a level of 200% in a stable way at present.

Q12 : Within the direction of the shareholder return in the next medium-term management plan on page 17, it says that you are “considering maintaining the same level of shareholder return as that in the current medium-term management plan.” Is it correct to understand that you will maintain the total shareholder return amount at the current level or higher even if the ratio of

return to shareholders changes from 50%?

A12 : At minimum, we are not considering reducing it below the current level. Please understand that we have shown our willingness to increase returns as much as possible.

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