MS&AD Insurance Group Holdings
Summary of Q & A Session of the FY2012 Second Information Meeting
(December 4, 2012)

Below is a summary of the Q & A session from the FY2012 Second Information Meeting held on December 4, 2012.

Q1: Please describe the factors that led to a positive revision to the overseas business and a negative revision to the domestic non-life insurance business in terms of the Group Core Profit forecast for FY 2012. Overseas, do you have a strong view of Asia?
A1: The domestic non-life insurance business was revised downwards by 4 billion yen primarily in relation to purchase adjustments. The positive revision made overseas was due to increased income in Asia, as you understand.

Q2: While you make risk management more advanced, what areas will you expand into in underwriting? Also, what kind of effect do you anticipate this will have on total risk exposure?
A2: We will review the premium rates in companies with profitability issues overseas. We will also proceed to improve profitability in the domestic non-life insurance business through efforts such as improvements to the loss ratio. Extreme fluctuations in earnings have been reduced by cutting down the risk of overseas flooding and storm damage through reinsurance, but there are no plans to make significant revisions to the risk portfolio in underwriting.

Q3: In revising the FY2012 forecast, there is a downward revision for overseas subsidiaries on P4 of the materials and an upward revision for the overseas business on P6 of the materials. Could you explain the factors that led to this?
A3: The main factor in the upward revision to overseas business is a 17.7 billion yen reduction in the incurred loss relating to the floods in Thailand in the Thai branch of MSI, which is included in MSI in financial accounting. The main factor leading to the downward revision to overseas subsidiaries was Asian life insurance subsidiaries performing below the forecast made at the start of the year.

Q4: I understand that the insurance premium unit price of automobile insurance rose by around 3% and exceeded rate revision effects. Could you explain how you analyzed those factors?
A4: For the first half of the year, the insurance premium unit price was raised due to solid performance in new vehicle sales (with a high unit price) and a variety of efforts as well as premium revision.

Q5: Could you please tell us what factors led to the rise in vehicle damage coverage and property damage liability coverage in the average payout per claim of automobile insurance?
A5: Repair expenses were factors in both, and we expect this trend to continue for some time in the future.

Q6: Please explain the factors that led to the percentage rise in the average payout per claim for vehicle damage coverage and property damage liability coverage being lower for MSI's automobile insurance than for other companies in the industry including ADI.
A6: I believe that the promotion of use of partner repair workshops since last fiscal year has had a particularly substantial effect at MSI. As ADI implemented this earlier, this effect is not shown as conspicuously in the payout per claim compared to the previous fiscal year.

(Follow-up question)
Q: Does this mean, for example, sending adjusters to repair workshops to perform accurate investigations in cases where claims were previously recognized using photo image transferring system alone, even if some cost is incurred.
A: This is implemented as required.

Q7: Please explain the sense of scale and pace of growth of the top line in the overseas' life insurance business (Indonesia, Malaysia, India) by location on a 100% equity share basis.
A7: There is some variation in the rate of growth by fiscal year or country, but it is generally growing around 15 to 25%. I do not have the detailed data on hand today, but it will be made available on the website at a later date.

Supplemental Information
＜Life insurance business of the Group companies in Indonesia, Malaysia and India＞
The amount of premium income of the Group companies for the latest fiscal year is something on the order of 110 billion yen in Indonesia and India each, and approximately 40 billion yen in Malaysia, though the accounting methods differ according to country. The growth rate of in-force contract measured in terms of the policy reserve on a local currency basis is middle of 20% in Indonesia, between 10% to 15% in Malaysia and about 20% in India recently.

Q8: If you achieve Group Core Profit of 110 billion yen in FY2013 as planned, I believe there will still be some surplus after deducting total dividends at the current level from the funds available for shareholder returns. In this case, do you intend to focus more on increased dividends or share buybacks?

A8: We have explained that shareholder returns will be carried out stably through dividends and share buybacks with a combined value of approximately 50% of Group Core Profit, but I don’t think this is an appropriate forum to discuss whether dividends or share buybacks will be focused upon or the amount thereof in the event that shareholder returns are increased in the future. In any case, our greatest objective is the maximization of shareholder value, so please look and see.

Q9: In the Asian non-life insurance business, there is a trend of rising commission ratio and improving expense ratio. What factors are affecting to this trend?
A9: The main factor leading to rising commission ratio is the increase in the weighting of bancassurance and auto dealers with comparatively high commission rates. The expense ratio is actually decreasing as a ratio due mainly to growth in the top line.

(Follow-up question)
Q: Will commission ratio in Asia continue to increase?
A: Commission ratio will rise if the weighting of the channels mentioned above continues to increase, but we would like to increase our top line while maintaining a balance between channels.

Q10: Could you explain the future direction of reorganization of the domestic non-life insurance business to the greatest extent permissible?
A10: We will earnestly consider all options including further mergers and reorganization by function, which has been made possible through an amendment to the Insurance Business Act. We would like to reach a conclusion without spending too much time on the matter.

Q11: Were there any changes in the external environment that led to this approach?
A11: There weren’t any particular changes in the external environment, but we believe that reorganization is necessary for achieving the additional cost reductions required in order to compete with the world with the aim of being world-class as stated in our corporate philosophy.

Q12: How will you handle the increase in the consumption tax rate moving toward 2015? Will this be absorbed through company expenses or will it be passed on to prices.
A12: We primarily intend to absorb this by reducing expenses through corporate efforts, but we may consider having policyholders bear some burden by raising premiums if it cannot be absorbed.

Q13: Are there numerical targets for the measures by area shown on P8 of the materials? What relationship is there with cost and synergies?

A13: I don’t have any numerical targets for each measure that I am able to disclose on hand, but our eventual objective is for the combined ratio to be less than 95% in FY2015 as a result of implementing such measures.

Q14: Is the difference in the growth rate of direct and net premiums a result of reinsurance?
A14: The premium rate for reinsurance ceded for fire insurance has risen due to numerous natural disasters, with an impact of approximately 10 billion yen on MSI. Furthermore, increased purchases of reinsurance coverage have also resulted in an increase in the amount of reinsurance.

(Follow-up question)
Q: Will the increase in reinsurance costs be transferred to direct premiums, or will you handle this by revising your portfolio? If the latter, what impact will this have on ERM?
A: It cannot be fully accounted for by the impact of reinsurance, but the current portfolio was actually made based on reinsurance purchases, and certain risks will continue to be taken in the future in order to make a profit.

Q15: The measures by area on P8 of the materials show an increase in the top line of areas with high yield, but exactly which areas do you plan to expand?
A15: I would like decline answering that question as I am unable to go into the specifics of the yield of individual types of insurance.

Q16: If you reach your target for selling strategic equity holdings, what will happen to the makeup of asset management risk?
A16: I will refrain from providing specific figures, but I will say that approximately 40% of the asset management risk (approx. 65%) is made up of domestic equity holdings.

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