Current Situation and Management Strategies

- Enhancement of Corporate Value and Contributions to Group Earnings Centered on ERM -
1. Company Overview
2. Business Environment
3. Management Strategies
4. Future Visions
1. Company Overview

2. Business Environment

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1. Company Overview

Company overview

Mitsui Sumitomo Primary Life Insurance Company, Limited

The term “primary” refers to fundamental, first, principal and prime. The corporate name represents the Company’s aspiration to be faithful to the fundamental and always stand on the points of origin, CUSTOMER FOCUS and CUSTOMER ORIGIN, as well as the resolution to remain a leading company in the individual annuity insurance industry.

<table>
<thead>
<tr>
<th>Business Commencement Date</th>
<th>October 1, 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid-in Capital</td>
<td>65,795,000,000 yen (including capital reserves of 24,735,000,000 yen)</td>
</tr>
<tr>
<td>Representative</td>
<td>Tetsuo Kitagawa, President</td>
</tr>
<tr>
<td>Number of Employees</td>
<td>363</td>
</tr>
<tr>
<td>Business Description</td>
<td>Life insurance business</td>
</tr>
<tr>
<td>Headquarters</td>
<td>Yaesu First Financial Building, 1-3-7 Yaesu, Chuo-ku, Tokyo</td>
</tr>
<tr>
<td>Offices</td>
<td>Tokyo, Osaka, Sendai, Nagoya and Fukuoka</td>
</tr>
</tbody>
</table>

As of March 31, 2015
1. Company Overview

The Company’s position in the Group

Over-the-counter specialized company

- Mitsui Sumitomo Primary Life Insurance
- Mitsui Sumitomo Aioi Life Insurance
- Mitsui Sumitomo Insurance
- Aioi Nissay Dowa Insurance
- Mitsui Direct General Insurance

Protection-type products

Retirement and investment-oriented products
1. Company Overview

**Premiums Income (Sales amount)**

- **¥1,054 billion**
- Reaching **¥1 trillion** for the first time since its establishment
- Exceeding **¥500 billion** at the end of August (Rising 23.9% year on year)

- **Establishment**

- **FY2015**

- **Risk reduction**

- **Reinsurance arrangements**
1. Company Overview

Trends of policies in force

As of the end of August 2015

Number of policies in force

656,000 policies

Amount of policies in force

¥4,480.7 billion

Establishment

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1. Company Overview

Trends of profitability indicators

**Net assets / Net income**

- **Left axis:** Net assets
- **Right axis:** Net income

**Core profits / Capital gains and losses**

- **Fiscal year end:** 2010, 11, 12, 13, 14

**EEV**

The total amount of Core profits and capital gains and losses should be appropriate as the indicators of the profit-earnings power of the Company’s core businesses from the perspective of matching costs with revenues.
1. Company Overview

Indicators of Soundness

**Solvency margin ratio**
As of the end of March 2015

**879.7%**

**Adjusted net assets**
As of the end of March 2015

**¥414.2 billion**

The corporate value and risks based on the economic values in accordance with the internal model of the MS&AD Group

- [Net asset value]
- [Integrated risk amount]

- EEV net asset value (excluding deferred tax assets)
- The total of 99.5% ileVaR asset management risk exposures and operational risk exposures

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0~64 years old
2. Business Environment

Trends of the customer market

The outstanding balance of households’ financial assets as of the end of FY2015

Approx ¥1,700 trillion

Approximately 50% of financial assets are cash and deposits.

Approximately 60% of financial assets are held by people 60 years old or over.

In 2030, the population of people of 65 years old or over will reach 36 million, exceeding 30% of the total population.

Approximately 60% of financial assets are held by people 60 years old or over.
2. Business Environment

Trends of the market of OTC bank sales, marketing of insurance products via banks

**Trends of the Nikkei Stock average** (Data period: April 1, 2003 – March 31, 2014)

- Global stock selloff – The collapse of Lehman brothers
- Abenomics
- Lowering of standard yields

**Trends of over-the-counter sales at financial institutions**

- Shift from variable products to fixed products in yen
- Remaining at a market level of from ¥4 trillion to ¥5 trillion and above

[Source] Estimated by the Company mainly based on the Nikkin Report

End of August 2015
2. Business Environment

Forecasts of the market of OTC bank sales, marketing of insurance products via banks

As a result of increases in foreign-currency-denominated products and variable products since FY2015, overall sales reached between ¥6 and ¥6.5 trillion.

The Company’s business areas (products in foreign currencies and variable products) are expected to expand to a maximum of ¥5 trillion.

[Source] Estimated by the Company mainly based on the Nikkin Report
1. Company Overview

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Business cycle

Market (Foreign exchange, interest rates and stock prices)
Customers

Agents

Sales
Operations

Asset management
Liabilities

Risk management

Income and expenditure management

Recording profits for a fiscal year

Enhancement of medium-to-long-term corporate value

Appropriate risk taking by utilizing allocated capital effectively

Allocated capital

Marketing
3. Management Strategies

Aiming to increase sustainable enterprise value

<Framework of ERM management>

- Governance
- Management cycle
- Risk appetite
- Planning and execution of strategies

- Basic stance for risk taking
- Risk allowance
- Foundation development
- Monitoring evaluation
- Review and examinations of strategies
- Use in management
- Maintenance and improvement of profitability
- Main risks and policies for countermeasures
3. Management Strategies

Primary balance

- Product strategies
- Sales strategies
- Risk, return, capital and ALM strategies
- Operational strategies
Enhancement of product line-ups

Provision of products that respond flexibly to changes in the financial market environment and customers’ needs

**Fixed products**

- Foreign-currency-denominated fixed whole life
- Currency select-type fixed annuity

**Variable products**

- Foreign-currency-denominated Variable whole life
- Guaranteed lifetime income annuity
- Variable annuity with knock-out option

**Commencement of sales**
- May 2014
- May 2015
- July 2015
3. Management Strategies

Steady expansion of the sales network

Trends of the number of financial institution agents

<table>
<thead>
<tr>
<th>Financial institution agents:</th>
<th>137</th>
</tr>
</thead>
<tbody>
<tr>
<td>City banks and trust banks, etc.:</td>
<td>8</td>
</tr>
<tr>
<td>Securities and Japan Post:</td>
<td>12</td>
</tr>
<tr>
<td>Regional and Shinkin banks:</td>
<td>117</td>
</tr>
</tbody>
</table>

- **End of March 2007**: 71
- **End of March 2009**: 104
- **End of March 2012**: 111

* Including Japan Post Bank

* As of the end of August 2015

Covering all 47 prefectures
3. Management Strategies

Establishment of a strong sales foundation

Steady expansion of earnings through the improvement of sales capabilities in the channel of regional and Shinkin banks

Premium income and share by sales channels

FY2006

- Securities and Japan Post: 13%
- Regional and Shinkin banks: 17%
- City banks and trust banks: 70%

Premiums written: ¥693.2 billion

FY2014

- Securities and Japan Post: 15%
- City banks and trust banks: 20%
- Regional and Shinkin banks: 65%
- Premiums written: ¥1,054 billion

Regional and Shinkin banks: 17%

Securities and Japan Post: 13%
3. Management Strategies

Improvement of the support structure

Provision of high quality added value as the best business partner
Provision of training to approximately 12,000 salespeople every term

Human assets development

14 curriculums

For salespeople

Primary’s extensive training

Expansion from “individuals” to “organizations”

2 curriculums

For managers and leaders

6 curriculums

Development of organizations

2 curriculums
3. Management Strategies

Develop an earnings structure to achieve steady and sustainable growth

1. Increase earnings in proportion to the asset scale by focusing on returns against accompanying risks.

2. Adopt a portfolio that contributes to the stabilization of accounting profits and losses.

3. Increase investment opportunities by using active risk control methods.

While fixing cash flows with contract currencies, make investments in high-return, low-risk foreign bonds by using currency swaps.

With the aim of stabilizing profits and losses, carry out the ALM for accounting evaluation based on interest-rate sensitive debts (securities available for sale) and interest-rate insensitive debts (bonds held to ALM).

Through duration control by using interest rate swaps, undertake thorough ALM and aim to expand the level of flexibility selecting investment issues.
3. Management Strategies

Enhance quality and pursue efficiency

Organize and strengthen call center and administrative divisions
Strengthen customer service

Develop and establish system infrastructures

Updating of the integrated insurance policy management system (July 2013)
Development of a centralized administrative procedures management and processing system (July 2015)

The strategies also contribute to supporting the Company’s high quality, diversified product line-ups.
3. Management Strategies

Improve the initiatives that help elderly customers.

Age distribution of policies in force

As a result of changes in social structures and the environment, Japan is facing a super-ageing society. As approximately 62% of its policies in force are held by customers 65 years old or over, the Company recognizes that improving services for elderly customers is an important management issue, and it is providing careful responses and appropriate services in a proactive manner.

Main initiatives to help elderly customers

* Recommending the presence of other family members
* Activities to confirm the details of policies after applications are made (Thank you call)
* Regular checking of the conditions of elderly policyholders
* Activities to recommend nominating a designated agent who makes insurance claims
* Commencement of family registration services, etc.
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Mission
As a company specializing in over-the-counter sales at financial institutions, while promoting bancassurance in Japan, the Company will grow with its business partners by continually responding to customers’ various asset development needs.

Improvement
As a professional group that invests all its management resources in over-the-counter sales at financial institutions, each employee aims to achieve further progress and ongoing growth.

Contribution
In addition to contributing to the profits of the MS&AD Group, through a business model not possessed by other mega non-life insurance groups, the Company will contribute to growth by adopting strategies that differentiate it from its competitors.
Inquiries about the documents

Management Planning Division
Mitsui Sumitomo Primary Life Insurance Company, Limited.
Phone: 03-3279-9001

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