MS&AD Holdings Conference Call (May 18, 2018)
FY2017 4Q Briefing Q&A Summary

Below is a summary of the Q&A session from the IR conference call held on May 18, 2018.

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

MS&AD Holdings : 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

Q1: Regarding the increase in outstanding claims at MS Amlin occurring in FY2017, please provide the breakdown of the increases in IBNR and other outstanding claims. Please also tell us about the state of progress in 1Q net income relative to the forecast full-year after-tax net income for FY2018 of 124 million pounds.

A1: Outstanding claims have increased by about 100 billion yen compared to the end of 2016 4Q. This breaks down to an increase of about 75 billion yen in IBNR and 25 billion yen in ordinary outstanding claims.

In addition, the state of progress in income for the period from January to March 2018 will be announced when 1Q results are released. However, progress in income is largely in line with the plan.

Q2: Were there any problems in reconciling the state of profit and other matters as recognized between MS Amlin onsite and MS? If there were any, has this been resolved?

A2: There is ample reconciliation with MS Amlin onsite. For example, MSI's local representatives are allowed to attend monthly meetings of the underwriting supervisory divisions, have a clear understanding of onsite trends, communicate the ideas from MSI's head office and routinely make timely reports to MSI's head office. In addition, there is ample communication through weekly conference calls and such. The normal course thus far has been for the local representatives to attend the board meetings of MS Amlin's holding company, but from last year, they have also been permitted to attend board meetings and other meetings of the operating companies with the intention of gaining a clear and real time understanding of the onsite trends.

Q3: **Regarding MS Amlin's cost reductions, can those consisting of about 22 million pounds in personnel expenses and other administration expenses projected for FY2019 possibly be brought forward into FY2018?**

A3: As shown in the slide on page 35, cost reduction of about 40 million pounds is forecast for FY2018, and while the cost reduction in FY2019 of about 22 million pounds will start from FY2018, this will be offset by one-off expenses incurred when cutting costs in FY2018.

Q (follow-up): **Am I correct in thinking that cost reduction initiatives that can be implemented this year will be initiated from this year?**

A: Yes, you are correct.

Q4: **As for MS Amlin's top line, the chart on page 35 of the materials shows three elements as factors that either boost or decrease earned premiums. Please provide a sense of the significance of each element.**

A4: We forecast that the gross premiums will remain virtually flat in 2018 and 2019. The three elements shown in the chart on page 35 of the materials are expected to offset each other so that growth is virtually flat.

Q (follow-up): **Regarding MS Amlin's FY2018 top line, what marginal increase are you anticipating market impact will have on the premium increase?**

A: We are expecting rates to increase by about 3.5% for all lines combined, including natural catastrophes.

Q5: **Is the reversal of the reserve for price fluctuation in Q4 one of the factors that caused Group Core Profit at domestic non-life insurance business to exceed the earnings forecast?**

A5: Yes, the reversal of the reserve for price fluctuation in 4Q was a major factor. Please refer to item (5) on page 7 of the materials for details.

Q6: **Will the additional 15 billion yen allocated to the reserve for price fluctuation at ADI and the cost of R&D expenses be costs that continue to be incurred from next year or are they temporary costs?**

A6: An additional provision of 15 billion yen in the price fluctuation reserve at ADI is planned in FY2018 to prepare future deterioration in the investment environment, as the reserve was reversed in full in FY2017.

Since the current earnings forecast is up until FY2018, the allocation to the reserve for price fluctuation is explained up until FY2018. As for R&D expenses, there are plans to invest toward promoting digitalization at both MSI and ADI. The details on R&D expenses and promotion of digitalization will be explained at the information meeting.

Q7: **Am I correct in understanding that the pace of sales in strategic equity holdings for FY2018 is lower than that of the past? In addition, it appears that the percentage of gains on sales of securities has fallen in comparison with the amount of sales. Is this correct?**

A7: Our basic approach is to sell strategic equity holdings with the goal of reducing them by 500 billion yen over the course of five years including FY2017. There is no plan to reduce the pace of sales in strategic equity holdings, so please understand that we will proceed as in the past.

In addition, the figure of 93 billion yen for this year's sales amount is the figure incorporated in the business plans consistent with the five-year plan, and we forecast capital gain based on the past ratio of capital gain.

Q8: **What kind of definitions were used when calculating the income of source to finance the amount of shareholder returns this time? Please also tell us what return ratio was used as the basis for the calculation.**

A8: This time, we plan for total shareholder returns of about 107 billion yen which includes 30 billion yen in share repurchases. As explained at the November information meeting, this approach also refers to the new approach to shareholder returns. In addition, as explained in the past, we will repurchase our own shares flexibly. We have said that we are targeting a shareholder return ratio of 50% in the medium run (the return ratio in the four years under the previous medium-term management plan was about 57%). We do not target 50% on a single fiscal year basis.

Q9: **I believe the capacity for shareholder returns has increased under the new definition of Group Adjusted Profit, so why has the dividend expected for this year been left the same as the previous year? Has there been a change in the shareholder return policy, or is there a greater focus on share repurchases?**

A9: The basic policy on dividends is to maintain stability. In the past, increases in dividends have been due to improvement in the profit structure. Furthermore, in terms of the overall shareholder return policy, the new approach to Group Adjusted Profit is for a return of 40% to 60% of Group Adjusted Profit, so please understand that the ratio of shareholder returns has virtually increased. We are focused on stability in relation to dividends and we will continue this approach during the new medium-term management plan.

Q10: **The shareholder return ratio calculated by the amount of shareholder returns this time relative to the amount of profit calculated according to the new definition of Group Adjusted Profit is about 50%. Am I right in assuming the new definition of Group Adjusted Profit was used in determining the amount of shareholder return?**

A10: We did not use the new benchmark but instead used it for reference purposes. The amount of this shareholder return this time was the result of conducting flexible share repurchases based on factors such as the level of financial soundness being at close to the ESR target of 200% and the state of stock prices. In addition, in the past four years, an amount equivalent to about 57% of Group Core Profit has been returned to shareholders, so please understand that we also consider of our policy that we will return approximately 50% of Group Core Profit in the medium run.

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