MS&AD Holdings Conference Call (May 19, 2017)
FY2016 4Q Briefing Q&A Summary

Below is a summary of the Q&A session from the IR conference call held on May 19, 2017.

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.

(Domestic non-life: EI loss ratios for MSI in FY2016)

Q1: The EI loss ratio for MSI in FY2017 shown on Slide 16 seems to have improved for voluntary automobile insurance in the fourth quarter and deteriorated for "Other" insurance. What factors led to this?

A1: The factors leading to the improvement in the EI loss ratio for voluntary automobile insurance include the revisions of reserves for bodily injury liability running their course and a decrease in the number of large claims. This trend was also evident in IBNR for the fourth quarter. The EI loss ratio of "Other" increased due to an increase in incurred losses as revenue increased, and the occurrence of incurred losses in specific large accounts.

(Domestic non-life: Earned premium in FY2017)

Q2: A factor for the year-on-year increase in consolidated net income for FY2017 shown on Slide 27 is shown to be an increase in earned premiums in the domestic non-life insurance business (+26.6 billion yen), but could you explain the factors for an increase in earned premiums in FY2017 despite the decrease in revenue in FY2016?

A2: The decrease in revenue in FY2016 was a result of a rebound from the significant increase in long-term fire insurance policies that occurred in the previous fiscal year. It appears that there was a significant decrease in revenue, but the premiums for the base portion increased, which resulted in earned premiums increasing in FY 2017.

(**Domestic non-life: The number of accidents of voluntary automobile insurance)**

Q3: On Slide 10, the number of voluntary automobile insurance accident claims appears to be on an increasing trend in the latter half of FY 2016, but what is the outlook for voluntary automobile accident claims in the future?

A3: The number of claims received was increasing slightly for both MSI and ADI. In FY2017, accidents are expected to increase somewhat compared to FY2016 because there were comparatively few accidents caused by snow fall in FY 2016.

(Domestic non-life: Earning forecast for FY2017)

Q4: Does your company's forecast for FY2017 incorporate the impact of lowering automobile insurance premiums?

A4: This is not included in our forecast.

(Domestic life, overseas subsidiaries: Earning forecast for FY2017)

Q5: What are the forecast figures for ordinary profit at MSI Aioi Life, MSI Primary Life and overseas subsidiaries?

A5: The forecasts for ordinary profit in FY2017 are as follows.

MSI Aioi Life: 12.7 billion yen (down 3.4 billion from FY 2016)

MSI Primary Life: 22.0 billion yen (down 35.7 billion from FY 2016)

Overseas subsidiaries: 52.8 billion yen (up 12.8 billion yen from FY 2016)

(International business: Group Core Profit for FY2017)

Q6: Could you explain why net income of overseas subsidiaries in FY2017 is up 20.9 billion yen year on year on Slide 26, and the 21.0 billion yen gain on the share exchange pertaining to the merger at Max Life Insurance was included in core profit, but the Group Core Profit of the overseas business in FY2017 shown in Slide 28 is only up by 29.3 billion yen?

A6: Extraordinary income (loss) is an item used for the adjustment of the difference between Group Core Profit and financial accounting profit. In the results for FY2016, expenses for the integration of MS Amlin (approx. 5.0 billion yen) are recorded as an extraordinary loss (added back to Group Core profit), and other extraordinary losses are also recorded. These are the main factors causing the difference.

(International business: Group Core Profit for FY2017)

Q7: What were the actual amounts for FY2016 and the forecast amounts for FY2017 concerning natural catastrophes in overseas subsidiaries? How much of these does MS Amlin account for?

A7: We have not tallied figures for natural catastrophes for overseas subsidiaries overall.

MS Amlin manages large losses including natural catastrophes, and the actual figure for FY 2016 was 23.6 billion yen, while 22.5 billion yen has been included in the forecast for FY 2017.

Q8: Since the beginning of 2017, there have been events such as a cyclone in Australia, but have there been any natural catastrophes that have a significant impact on results?

A8: We are not aware of any specific natural catastrophes at this time.

(Overseas subsidiaries: MS Amlin)

Q9: Slide 26 shows MS Amlin's net income decreasing from the forecast level of 21.2 billion yen to 12.3 billion yen in FY2016, but you have forecast a significant increase to 30.1 billion yen in FY2017. What were the factors in each of these?

A9: The net income of 12.3 billion yen for FY2016 and the forecast of 31.3 billion yen on slide 26 are the amounts after the integration of the Lloyd's business and the Reinsurance business.

MS Amlin's net income in FY2016 was 4.0 billion yen as shown on Slide 13.

Factors causing the shortfall compared to the forecast for FY2016 include large losses such as Hurricane Matthew and the earthquake in New Zealand, and the impact of lowering the Ogden rate (statutory interest rate pertaining to bodily injury insurance) in the UK. In addition, integration expenses were also a special factor in FY2016.

Net income is forecast to increase by 17.7 billion yen to 30.1 billion yen in FY2017 due to the absence of the temporary negative factors that occurred in FY2016, natural catastrophes being on par with an average year, general losses improving, and investment profit recovering somewhat.

Q10: The FY2017 forecast for MS Amlin includes figures for MSI's Lloyd's business and Reinsurance business that have been integrated into the company, but what is the forecast for MS Amlin when only taking into account its business before such integration?

A10: We do not have a breakdown based on the old structure because the integration was completed in December 2016 and plans have been formulated based on the new structure.

(International business: Gain on the share exchange at Max Life)

Q11: The gain on the share exchange at Max Life in India is shown to be approximately 21.0 billion yen on Slide 28 and approximately 22.0 billion yen on Slide 30. What caused the difference?

A11: Slide 28 shows Group Core Profit as the amount after deducting consolidated taxes. Slide 30 shows non-consolidated income for MSI alone as the amount prior to deduction of tax.

Max Life Insurance is currently an equity-method affiliate, but it is assumed that it will no longer be an equity-method affiliate if merged.

Q (follow-up): Am I correct in understanding that gains and losses on changes in equity interest will not be recognized once it is no longer an equity-method affiliate, when an IPO takes place in the future?

A: Your understanding is correct.

Q12: Please explain why the gain on the share exchange at Max Life Insurance is included in Group Core Profit despite being a capital gain.

A12: Capital gains on strategic equity holdings are excluded from Group Core Profit, but this gain is the result of a business investment, and thus has been included in Group Core Profit.

(Shareholders return: Repurchase of own shares)

Q13: You increased dividends but did not repurchase any own shares this time. What will your approach to the repurchase of own shares be in the future?

A13: We decided to repurchase own shares valued at approximately 30 billion yen at the end of October 2016. As we have explained in the past, we will return approximately 50% of Group Core Profit in the medium run, and will repurchase our own shares flexibly. We will explain why we increased dividends rather than repurchasing own shares from our management in the information meeting to be held on May 25.

＜Supplementary Explanation＞

An Additional Provision of MSI Primary Life's Reserve for Price Fluctuation

The 15.9 billion yen explained on Slide 23 corresponds to losses and gains covered by the reserve for price fluctuation calculated based on the impact of interest rates and exchange rates.

In addition to the standard provision of 2.5 billion yen, the additional provision of 10.4 billion yen has been added this fiscal year.

MSI Primary Life has established a policy of accumulating funds to reach the statutory limit over a fixed period with the aim of strengthening the reserve for losses caused by future market fluctuations, and is accumulating funds accordingly.

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