

## MS&AD Holdings Conference Call (August 7, 2019)

### FY2019 1Q Briefing Q&A Summary

Below is a summary of the Q&A session from the IR conference call held on August 7, 2019.

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

MSI : Mitsui Sumitomo Insurance Co., Ltd.

ADI : Aioi Nissay Dowa Insurance Co., Ltd.

MS Amlin : MS Amlin plc

SMAM: Sumitomo Mitsui Asset Management Company, Limited

Currently: Sumitomo Mitsui DS Asset Management Company, Limited

Sinarmas MSIG Life : PT Asuransi Jiwa Sinarmas MSIG Tbk

Max Life : Max Life Insurance Company Limited

Challenger : Challenger Limited

Q1: How do you judge the movement in the frequency of accidents and the average payout per claim for automobile insurance in the domestic non-life insurance?

Would you also please explain the key points of next January's revisions and the impact it will have on earnings?

A1: The frequency of accidents has declined year-on-year. The average payout per claim is seen to be continually rising for both vehicle damage insurance and property liability. Overall, this is proceeding well compared to the plan due to the frequency of accidents being lower than anticipated.

The January revision of automobile insurance premium rates has been reported in the press to be a hike of 3%, but it has not been officially decided, so we are unable to comment on the percentage increase at this time. Because this revision of premium rates is in response to the impact of the increase in consumption tax and the revision of the Law on Obligations, please understand that the impact of these will be reflected in the increase in premium rates. This is not expected to have a significant impact on earnings in the current fiscal year because the revision in premium rates had been anticipated to a certain degree and the timing of the revision in January is near the end of the fiscal year.

Q2: At the start of the fiscal year, it was explained that reinsurance premiums would increase by about 22 billion yen this fiscal year. Is it correct to understand that the entire amount of this increase was recorded in the first quarter?

A2: The effects of the increase in reinsurance premiums are concentrated in April and October due to the timing of the payment of premiums. Around 15 billion yen of this annual amount of about 22 billion yen is recorded in the first quarter.

Q3: What is the amount of claims paid during the first quarter and the amount of reserves at the end of the first quarter for the heavy rainfall last July (including Typhoon Prapiroon (No. 7)), Typhoon Jebi (No. 21) and Typhoon Trami (No. 24)?

A3: MSI paid approximately 4.5 billion yen and has around 2.5 billion yen in reserves. ADI paid approximately 2.5 billion yen and has around 3.5 billion yen in reserves.

Q4: What is the amount of dividends from subsidiaries included in MSI's net interest and dividends

received compared to the same period the previous year? Also, what are the amounts of things similar to capital gains like gains on redemption of investment trusts that are included in net interest and dividends received for both MSI and ADI compared to the same period the previous year?

A4: Dividends from subsidiaries (including dividends from affiliates) increased by around 3 billion yen year-on-year.

Also, MSI had no particular gains with the nature of gains on redemption of investment trusts. ADI had 1.2 billion yen in gains on redemption of investment trusts, an increase of 1.1 billion yen year-on-year.

Q5: Is the increase in business expenses a factor in the decrease in Group Adjusted Profit in the domestic non-life insurance business during the first quarter? Also, was the increase in business expenses brought forward into the first quarter?

A5: Group Adjusted Profit in domestic non-life insurance decreased slightly, but business expenses increased while earned premiums increased. Furthermore, this was higher than our plan, and there is no impact on the outlook for full-year earnings. Business expenses were generally as planned.

Q6: The occurrence of large losses has been mentioned as a factor in MS Amlin's underwriting profit falling short of the plan. Would you please state the forecast amount of large losses incorporated into the plan set at the start of the year and the state of the loss ratio after eliminating the impact of the large losses in excess of the forecast made at the start of the year? Also, it was explained that large losses would improve in the second quarter, so does this mean the large losses were simply temporarily concentrated in the first quarter?

A6: MS Amlin separately discloses large-scale natural catastrophes exceeding \$20 million, but there were no such large losses from natural catastrophes during the first quarter. The large losses shown on page 22 refer to large losses in non-catastrophe lines, but we do not disclose the forecast amounts of large losses and those classified otherwise. There were a higher number of large losses during the first quarter than usual. The impact is large when there is such a bias occurring in the first quarter because the period is so short, but we are tracking the conditions in the second quarter and the state of large losses during the three months of the second quarter is generally on par with other years, so the impact should be reduced when spread over the entire year.

Q7: Am I right to understand that the 2.5 billion yen in extraordinary income/loss (excluding reserves for price fluctuation) mentioned in the note on calculation of Group Adjusted Profit on page 11 is the gain on change in equity in SMAM? Also, will losses on sales and impairment losses related to business investment be excluded from Group Adjusted Profit in this way in the future?

A7: The above 2.5 billion yen includes the 2.8 billion yen gain on change in equity in SMAM shares. Capital gains and losses in business investment are basically included in Group Adjusted Profit as the result of investment if ordinary profit/loss is in line with the accounting treatment. Meanwhile, items recognized as extraordinary income/loss, as in this case, are excluded from Group Adjusted Profit. Furthermore, special cases are determined individually in light of their cause.

- Q8: What impact will the increased investment in Sinarmas MSIG Life in Indonesia and the share exchange with Max Life in India announced in July have on earnings?
- A8: We are currently calculating the monetary impact, but we do not anticipate a large impact on this fiscal year's earnings.
- Q9: Is it your policy to include any capital gains arising from the sale of Max Life shares in Group Adjusted Profit?
- A9: The treatment of capital gains and losses related to business investment is basically treated consistent with accounting treatment. In this case, our basic approach is to include capital gains arising from the sale in Group Adjusted Profit if recognized as gains on sales of shares.
- Q10: If the share price of Challenger continues to fall to below 50% of book value, will this be treated as an impairment loss, or do you intend not to determine this based on share price?
- A10: The company's shares have market value, so this is handled in accounting by determining if there is an impairment loss by looking at the market value and also the details. Normally, the criteria for determining an impairment loss become stricter if the value falls below 50% of book value. However, our investment in Challenger is a business investment, and we believe the impairment loss is equivalent to goodwill because we intend to make it an affiliate in the future. We think anything that corresponds to impairment of goodwill will be excluded from Group Adjusted Profit.

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