

MS&AD Holdings Conference Call (February 14, 2017) FY2016 3Q Briefing Q&A Summary

Below is a summary of the Q&A session from the IR conference call held on February 14, 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: Earned premium)

Q1: On slide 4, a significant increase (+¥48.2 billion) in earned premiums in the domestic non-life business is cited as a factor in the year-on-year growth in consolidated net income for 3Q of FY2016. Can you tell us the factors behind that increase in earned premiums?

A1: While net premiums written fell in the period, the effect of past increases turned up later, resulting in an increase in earned premiums. For example, one of the factors is the significant increase in net premiums written resulting from the revision to fire insurance products in the previous period.

(Domestic non-life: Voluntary auto insurance)

Q2: On slide 10, the number of voluntary auto insurance accidents increased in November and December, and it would appear that the trend toward a drop in the number of accidents has bottomed out. What is the outlook for the number of accidents going forward?

A2: The number of voluntary automobile insurance accidents is gradually flattening on a year-on-year basis. While seasonal factors will come into play in 4Q, such as an increase or a decrease in the number of accidents depending on snowfall, excluding such factors we expect the numbers to trend at about the same levels as in the previous period.

(Domestic non-life: Catastrophe reserves)

Q3: For MSI, at the beginning of the fiscal year there was mention of a planned ¥10.0 billion special provision for catastrophe reserves in fire insurance. Can you tell us whether that plan has changed or not?

A3: At this point, that provision is being incorporated in our plan unchanged.

Q4: Compared to your full-year assumptions for domestic natural catastrophes, MSI and ADI combined currently have leeway of about ¥15.0 billion. In the event there are few losses from natural catastrophes in 4Q, is it possible MSI may increase the amount of the special provision?

A4: We do not currently intend to increase the amount of the special provision for catastrophe reserves of fire insurance at the end of 4Q. Conversely, if losses from natural catastrophes in 4Q are low, and the balance of catastrophe reserves builds above expectations, we may reduce that special provision from the planned ¥10.0 billion.

SQ (follow up) : **If natural catastrophes in 4Q are fewer than expected, and you reduce the amount of the special provision for catastrophe reserves, are we correct in understanding that this will result in an upswing in Group Core Profit, and a corresponding increase in returns to shareholders?**

SA: With regards to domestic non-life insurance, as you point out, an upswing in profit above expectations is possible. On the other hand, we also expect a downswing of about ¥12.0 to ¥13.0 billion (pre-tax) in International business due to claims resulting from hurricanes in the U.S., the earthquake in New Zealand and other natural catastrophes. We expect the negative factors in the International business will offset any upswing in domestic non-life business to a respectable degree.

(International business: Natural catastrophes)

Q5: Are we to understand that you did not forecast much in the way of natural catastrophes in your International business initially, and the occurrence of many natural catastrophes in the current fiscal year will factor into the downswing of between ¥12.0 to ¥13.0 billion?

A5: While a suitable amount for overseas natural catastrophes was included in our initial forecast, that estimate was lowered during our review of the plan in November 2016. Losses resulting from hurricanes and the New Zealand earthquake have currently exceeded that estimate, and we expect that to have an impact on 4Q results.

(International business: MS Amlin)

Q6: Regarding MS Amlin, although the yen has strengthened in terms of the exchange rate against the pound compared to your initial forecast, it would appear that at ¥11.6 billion, net income is ahead of that initial forecast. What are the positive factors here?

A6: Planned full-year net income for MS Amlin is ¥21.2 billion, so the ¥11.6 billion result for 3Q is more or less on plan.

With markets recovering in 3Q, asset management has begun to recover, but in insurance underwriting, large- and medium-scale losses have been greater than expected, and results are slightly below plan. The majority of overseas natural catastrophes arising in 4Q have occurred under MS Amlin, and we expect those to be a factor in a downswing of slightly more than ¥10.0 billion.

(Domestic life: MSI Primary Life)

Q7: Income at MSI Primary Life has risen more than expected. If this trend continues in 4Q, do you have a plan to make a provision for price fluctuation reserves?

A7: Regarding 3Q at MSI Primary Life, as shown on slide 24, interest and exchange rates had a positive impact of ¥17.9 billion. On the other hand, in 1Q, the impact of interest and exchange rates was about a negative ¥30.0 billion, and we made a reversal of price fluctuation reserves. As you can see, fluctuations in interest and exchange rates can have a significant impact on MSI Primary Life, and we believe we need to build a certain level of price fluctuation reserves. While the figures will change depending on market conditions in 4Q, we will consider an additional provision for price fluctuation reserves, if interest and exchange rates have a positive impact.

(FY2016 Forecast: Impact of foreign exchange rate)

Q8: Tell us if any impact of exchange rate fluctuations after January 2017 can be seen in results.

A8: Because, as a rule, overseas subsidiaries use an average rate for the period between January and December 2016, exchange rate fluctuations will not have a significant impact on full-year results. As to domestic business, there is some impact on outstanding claims and so on, but combined with gains and losses on the asset management side, we do not expect a large impact on income.

-End-

This material contains statements about future plans, strategies, and earnings forecasts for MS&AD Holdings and its group companies that constitute forward-looking statements. These statements are based on information currently available to the MS&AD Holdings. Investors are advised that actual results may differ substantially from those expressed or implied by forward-looking statements for various reasons. Actual performance could be adversely affected by (1) economic trends surrounding our business, (2) fierce competition in the insurance sector, (3) exchange-rate fluctuations, and (4) changes in tax and other regulatory systems.