

MS&AD Insurance Group Holdings Conference Call (December 24, 2014)

Acquisition of Shares of the Box Innovation Group, a Major Player in U.K. Telematics Auto Insurance

Q&A Session Summary

Below is a summary of the Q&A session from the IR conference call held on December 24, 2014.

Q1: How was the acquisition price (approximately 20 billion yen) calculated?

A1: The acquisition price was determined based on a comprehensive evaluation of the business plan of Insure The Box (“ITB”), the future potential of the U.K. telematics auto insurance market, advantages of telematics technology, and synergies within the Group.

Q2: What is the condition of the results of insurance underwriting by ITB?

A2: The loss ratio of automobile insurance in the U.K. market is around 75%, and ITB’s is about the same level.

Q3: You explained that driving behavior being reflected in insurance premiums will lead to a reduction in accidents, but based on the results to date, would you say positive outcomes are not yet apparent?

A3: ITB mainly underwrites for young people who are said to have a high loss ratio, and we appreciate that it has achieved a loss ratio on par with the average through the use of its know-how and technology.

Q4: You say that ITB's telematics insurance reduces insurance premiums by an average of £620 (approx. 120,000 yen) per person, but what percentage of savings does this represent?

A4: The average premiums reduction amount of £620 is based on estimated premiums, and young policyholders of ITB receive discount of roughly 20% on their insurance premiums.

Q5: Does the insurance company bear the cost of the device, or does the policy holder? Also, what is the unit cost of the device?

A5: The device cost is included in insurance premiums. We would refrain from commenting on the unit cost of the device.

Q6: Have steps such as obtaining patents been taken to prevent other companies from imitating ITB's telematics?

A6: It is difficult to patent telematics insurance technology, but unlike other companies, ITB has know-how related to the whole process of telematics auto insurance such as the collection and use of big data, and we believe that the business model would be difficult to imitate regardless of the existence of patents.

Q7: Could you please comment on the profit of the Box Innovation Group (“BIG”) for the past three fiscal years?

A7: It is a venture company that was launched in 2010, and has been running a deficit until now

including the projection for this fiscal year.

Q8: When will Aioi Nissay Dowa Insurance Company of Europe Limited (“ADE”) underwrite ITB’s policies with this acquisition?

A8: ADE will underwrite existing policies of ITB at the time of renewal, and the transfer of existing policies to ADE will be complete in one year.

Q9: Will the existing management remain in place after the acquisition of BIG and continue to manage the company?

A9: The management has know-how on telematics insurance, and it is assumed that it will remain in place.

Q10: Do you plan to raise your stake in BIG above 75% in the future?

A10: Under Gibraltar corporate law, shareholders with a stake of 75% or more have the authority to procure capital, perform capital reductions, purchase treasury shares, change the company name and designate officers and auditors, and our decision on the acquisition took these factors into consideration. Furthermore, the remaining approximate 25% will have the effect of providing an incentive to the current management of ITB, and we plan to maintain this for now.

Q11: When did communication on this acquisition deal begin?

A11: We had a request from BIG, and we will refrain from disclosing details.

Q12: You have stated that there will not be any impact on FY2014 performance, but when will the effects of the acquisition become evident and what will they be? Furthermore, how much shareholders' equity does BIG have on a consolidated basis?

A12: We will refrain from disclosing this information because the acquisition is not yet complete, and we have also received a request from BIG to refrain from disclosing details.

Q13: Will this acquisition mean the purchase of ITB's human resources, systems, and know-how for approximately 20 billion yen?

A13: The decision for this acquisition was made for the purpose of creating a profitable business in the U.K. in addition to the acquisition of know-how, technology and human resources.

Q14: Do you believe that you can recover the investment of 20 billion yen with the expansion of business in the U.K? Or, will you recover your investment through expansion to other countries in Europe?

A14: In the medium term, we believe we can recover our investment in the U.K.

Q15: The combined ratio in the U.K. automobile insurance market is over 100%, and it is believed to be a market where it is difficult to make a profit, but what are your intentions concerning entry into this market? Will you be entering the U.K. market to obtain telematics technology?

A15: It is true that the combined ratio is over 100% in the U.K. automobile insurance market, but insurance companies obtain ancillary revenue such as commission for covers of temporary

replacement vehicles and road assistance services, etc. We believe ITB can also secure earnings through such ancillary revenue in a similar fashion.

Q16: Why was the acquisition made by the subsidiary of Aioi Nissay Dowa Insurance instead of the holding company?

A16: The Group's policy is basically for new business investment to be undertaken by the insurance companies of the Group.

Supplementary explanation

The reorganization by function in the Group's Medium-term Management Plan "Next Challenge 2017" includes strengthening of the Toyota retail business by Aioi Nissay Dowa Insurance as part of the reorganization of the overseas business, and this acquisition is in line with that plan.

Q17: What is the size of the business of ADE? Also, about how many vehicles are covered by ADE automobile insurance in the U.K.?

A17: ADE expands the business in Europe including the U.K., and direct premiums written were 32.6 billion yen, net premiums written were 22.6 billion yen, and pretax income was around 600 million yen in Europe in FY2013. We will refrain from disclosing the number of automobile insurance policies.

Q18: You stated that the Toyota retail business is expanding, but how are your sales channels structured at present? Direct insurance is the mainstream in the U.K., but will you be able to utilize that know-how?

A18: ITB's channel is basically direct sales. In the Toyota retail business, direct automobile insurance is sold on top of the free insurance provided by dealers, and we believe that the two companies will be able to generate synergies.

Q19: Is it correct to understand that you are considering further expansion using M&A in the European business?

A19: That understanding is correct.

Q20: In the Ministry of Land, Infrastructure, Transport and Tourism materials shown on slide 10, it is forecast that the proportion of telematics automobile insurance will increase at an accelerating rate, but could you explain the factors leading to this?

A20: The automobile insurance markets in Europe and the United States have a high ratio of direct sales to begin with, and due to the fierce competition and fluidity caused by free rates, there are great expectations for insurance companies to provide appropriate insurance premiums based on driver behavior. Furthermore, there are plans for the installation of the e-Call vehicle emergency reporting system to be made compulsory in Europe, and demand for telematics insurance using devices with this function is expected to grow substantially.

SQ: Was the decision to proceed with the acquisition made based on the rapid growth shown in the materials with regard to the growth of the telematics insurance market in Europe?

SA: It incorporates the growth of the telematics insurance market, but more conservative calculations were made for the calculation of the acquisition price.

Q21: Do you have any plans to introduce ITB's telematics insurance to Japan, and if not, why?

A21: In Japan, the use of the no-claim bonus in the form of the automobile insurance grade system and the reference loss cost rate are well established in the industry, and because it is possible to determine premium rates at a specific level based on the driving of the policyholder ascertained through an understanding of the accident history, even if the insurance company changes due to the grading system, we believe it would be difficult to immediately introduce ITB's telematics insurance in Japan. However, we are considering utilization of ITB's know-how in areas such as communication between ITB and the policyholder, and providing services in the event of an accident.

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