

MS&AD Holdings Conference Call (November 18, 2015)

FY2015 2Q Briefing Q&A Summary

Below is a summary of the Q&A session from the IR conference call held on November 18, 2015.

Q1: Your EI loss ratio in automobile insurance continues to drop, despite the occurrence of natural catastrophes; tell us about your outlook. Also, in the first half of the year, competitors were increasing their reserves for outstanding bodily injury claims; have you seen any trend toward an increase in average payout per claim for bodily injury liability?

A1: The number of accidents has remained nearly flat, while the average payout per claim has risen slightly. We expect that, as the economic environment turns more favorable, the number of accidents will increase and there will be a slight increase in incurred loss. At the same time, with revisions to premiums to date the effect of gross margin as a total for the Group's two major domestic non-life insurance companies is forecast to add approximately 35.0 billion yen in FY2015, 11.0 billion yen in FY2016, and 7.0 billion yen in FY2017.

The increase in earned premiums has had an effect in FY2015, with the EI loss ratio at Mitsui Sumitomo Insurance (MSI) forecast to be down 1.1 points year-on-year at 60.8%, and at Aioi Nissay Dowa Insurance (ADI), down 1.7 points at 59.6%. In FY2016 and beyond, we believe the loss ratio will move from a downward trend to flat, or possibly rise slightly.

As far as increasing reserves for outstanding bodily injury claims, that is not something the Group will be doing.

Q2: Net premiums written in fire insurance have risen significantly, by about 40%. Please describe the impact on profits, including your outlook for provisions for or reversals of catastrophe reserves.

A2: Of the current increase in premiums, most of those from long-term fire insurance policies will go to the provision of policy reserves as unearned premiums; meanwhile, agency commissions will increase in proportion to premiums, placing a burden on profits. This impact on ordinary profit for the interim period totaled about 12.0 billion yen for MSI and ADI combined (9.0 billion yen for MSI, 3.0 billion yen for ADI).

The increase in premiums will result in a negative impact on profits, as provisions for catastrophe reserves are increased. For the interim period, this impact on ordinary profit is expected to be about 4.0 billion yen (3.0 billion yen for MSI, 1.0 billion yen for ADI), and for all of FY2015, about 2.5 billion yen (1.5 billion yen for MSI, 1.0 billion yen for ADI). These figures include the impact of suspending sales of long-term fire insurance policies in excess of 10 years. Additionally, the increase in premiums has the effect of pushing down loss ratios, generating a negative impact

as reversals of catastrophe reserves decrease. As a result, for the full 2015 fiscal year, we forecast this to have the effect of driving down reversals of catastrophe reserves at ADI by about 7.0 billion yen (at MSI, there is no impact on reversals for the full fiscal year, even without the effect of growth in premiums). Please keep in mind that these figures are just rough estimates.

Q3: Can you tell us the forecasted net provision for catastrophe reserves for the full 2015 fiscal year, for MSI and ADI respectively?

A3: We forecast a provision of 49.4 billion yen for MSI, and 11.0 billion yen for ADI.

Q4: Due to natural catastrophes and the impact of catastrophe reserve, underwriting profit has decreased, but excluding these effect, I understand that underwriting profit actually increased year-on-year, would that be correct?

A4: As you point out, on a normal basis that excludes natural catastrophes and the impact of catastrophe reserves, underwriting profit has improved year-on-year.

Q5: Tell us about the background of the decision to raise the target for selling off strategic equity holdings. Is this part of a general move by the industry as a whole, including your competitors, to accelerate the sale of strategic equity holdings?

A5: We look at changes in the issuing entities' stances, resulting from the introduction of the corporate governance code, as one opportunity. We hope to further accelerate ERM and enhance the quality of our capital.

We believe this environment applies to our competitors as well, but I'll refrain from commenting further on trends among other firms.

Q6: Regarding the link between sales of strategic equity holdings and returns to shareholders, can you tell us if you plan to incorporate the gains from those sales in your group core profit which is subject to shareholder returns?

A6: This issue substantially involves an essential part of our capital policy, and requires careful consideration based on future group strategy and capital outlook.

Q7: Can you tell us the planned amount of sales of strategic equity holdings in FY2015 and FY2016, respectively?

A7: We have set an assumption for FY2015 calling for forecast gains from sales of securities of about 150 billion yen. Note that while we have set a target sales amount for a four-year period, the Group has not established sales targets on a single-year basis.

Q (follow-up): If you complete sales of 150 billion yen in FY2015, how much will you have progressed toward your four-year target of 500 billion yen?

A: Approximately 240 billion yen.

Q8: You had few reversals of catastrophe reserves due to typhoons in FY2015, and are forecasting added costs related to rush demand for fire insurance. Given that this will not be a factor in FY2016, and that the effect of your acquisition of Amlin will add to profits, can you tell us if we can assume a significant year-on-year increase in FY2016 financial accounting profits and core profit compared to FY2015?

A8: Given that, among other factors, we foresee the impact of natural disasters totaling 75.0 billion yen in FY2015 and 45.0 billion yen in FY2016, we are currently anticipating an increase in profits of about 30.0 billion yen on a financial accounting basis. Note that this outlook does not include figures from Amlin.

Q9: Despite the large impact of natural catastrophes in this fiscal year, MSI's outlook is that there will be no reversals of catastrophe reserves for FY2015. Can you tell us your forecast for FY2015 fire insurance net premiums written and net claims paid?

A9: We forecast 250.5 billion yen in net premiums written, with net claims paid totaling 127.5 billion yen. Reversal of catastrophe reserves for fire insurance is calculated in the same group as cargo and transport, etc. In the case of MSI, calculating these as a group where there is a high weighting for cargo and transportation which have a relatively low loss ratio means that the loss ratio stays below 50%. This is why we do not forecast reversals to occur.

Q10: Can you tell us whether, in the process of selling off equity holdings, you've seen companies with which you have cross-holdings move to sell MS&AD shares?

A10: First, in our Group's case our understanding is that our level of cross-held strategic equity shares is relatively low, unlike banks and so forth. For those shares that are cross-held, what you point out is, I believe, possible in theory, but I would like to refrain from answering the progress with or other details of specific cases.

Q11: Regarding the sale of shares in Mitsui Life Insurance, can you tell us the amount of the impact and whether you have already incorporated that amount in the current revised forecast?

A11: It has been incorporated in the revised earnings forecast, but I am unable to respond regarding specific figures for individual transactions.

Q12: In your earnings forecast, you have revised downward your initial forecast for automobile insurance net premiums written at ADI. What is your view of the situation for the near term? Do you expect it to improve?

A12: Based on the near-term situation, we were conservative with our forecast for this revision, but we intend to work toward greater growth, including implementation of the measures to expand the number of policies.

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