MS&AD Insurance Holdings Conference Call (May 20, 2016)
FY2015 4Q Briefing Q&A Summery

Below is a summery of the Q&A session from the IR conference call held on May 20, 2016.

Q1: The voluntary automobile insurance loss ratio is continuing to improve, but please explain the direction of the rate revision in October 2016 and the status in introduction of ASV (advanced safety vehicles) discounts that were previously covered by the press.

A1: As you have indicated, the voluntary automobile insurance loss ratio is improving, but as you can see in the materials, factors such as the rising average payout per claim, lowering of the statutory interest rate and increased consumption tax will contribute to increased costs, and these need to be considered as we proceed. The ASV discount has not been finalized at all.

Q2: In 4Q of FY2015 of the overseas business, what factors led to losses in Europe increasing and the pace of growth in profits decreasing in Asia?

*** Europe: 0.5 billion yen loss in 3Q → Loss expanded to 2.0 billion yen loss in 4Q**

Asia: 14.8 billion yen profit in 3Q → Growth slowed to 16.6 billion yen in 4Q

A2: In Europe, a factor that led to this was the increase of expenses by almost 3.0 billion yen including the increase in the incurred losses due to a review of IBNR in the BIG business. In Asia, there were many mid and large-sized losses occurred in 4Q that slowed growth in profit.

Q3: What factors resulted in the forecasts for FY2016 in overseas subsidiaries being reduced profits excluding Amlin?

A3: A major factor is that we expect a decline in overseas reinsurance subsidiaries of approximately 4.0 billion yen from 10.7 billion yen in FY2015 to 6.5 billion yen in FY2016. This is because we expect 5.0 billion yen for natural catastrophes losses as an average year, while this was only 1.0 billion yen in FY2015.

In other regions, Asia and the Americas are expected to be on par with the previous year, and Europe is expected to see profits grow by around 2.0 billion yen.

Q4: Compared to the FY2017 forecast in the Medium-term Management Plan announced in November 2015, profit in the domestic non-life insurance business has been lowered from 140.0 billion yen to 135.0 billion, and from 20.0 billion yen to 15.0 billion yen in the domestic life insurance business. What is the reason for this?

A4: This is because we changed environmental assumptions from November 2015. The foreign exchange rate was expected to be 120 yen to the dollar, but this is now 113 yen. The yen has also appreciated against other currencies such as the pound. Interest rates have also fallen by 0.4 points, and these factors were taken into consideration to revise our targets.

Q5: The shareholder returns announced today seem to place more emphasis on dividends than the repurchase of your own shares than in the past. Please explain the basic approach to shareholder returns.

A5: As explained in the policy on shareholder returns, our basic approach is for stable dividends and we are aiming to increase dividends in the medium run by further increasing our earning power. We have increased the pace of hikes in dividends because we are more assured that we have increased our earning power through efforts made to date.

Furthermore, with regard to the repurchase of our own shares, considering that the company's shares remain undervalued, and we have decided to repurchase 10.0 billion yen of our own shares from the perspective of dynamic and flexible purchases of treasury stock.

Q6: 181.1 billion yen in strategic equity holdings were sold in FY2015, but which sector were most of the shares in 181.1 billion yen in strategic equity holdings you sold in FY2015?

A6: We have negotiated with all issuers to sell shares regardless of the sector or the issue, and such efforts led to the result.

Q7: What were the gains on the sale of strategic equity holdings in FY2015, and how much do you to plan to sell and for what gain on sales do you expect in FY2016?

A7: Gains on shares sold in FY2015 totaled 108.9 billion on a consolidated basis. Our target is to sell 500.0 billion yen by FY2017, and approximately 230.0 billion yen remains. In FY2016, we plan to sell around half this amount, or 120.0 billion yen. The gains on sales are expected to be more than 60.0 billion yen for the two companies combined.

Q8: Although Mitsui Sumitomo Insurance (referred to as "MSI" below) is expected to see underwriting profit excluding the catastrophe reserves and natural catastrophes rise by 30.0 billion yen from FY2015 to FY2016, Aioi Nissay Dowa Insurance (referred to as "ADI" below) is expected to see a decline of 10.0 billion yen. What is the reason for the different forecasts in the two companies?

A8: There is no difference between the two companies in terms of earned premiums, and incurred losses other than natural catastrophes are expected to increase by 11.0 billion yen at MSI and 47 .0 billion yen at ADI.

The reason why ADI expects more incurred losses in FY2016 is that ADI expects the level seen in most years for FY2016, and there were fewer accidents covered by voluntary automobile insurance than in most years in FY2015, there were fewer major losses in bodily injury liability of voluntary automobile insurance, and there were also fewer losses in fire insurance than in most years.

Q9: **If shareholder returns in FY2016 are 50% of the group core profit totaling 200 billion yen, this will amount to 100 billion yen in shareholder returns. If dividends are 100 yen, total dividends will be 60 billion yen. Is it correct to assume the remaining 40 billion yen will be used in the repurchase of your own shares?**

Also, do you plan to conduct the repurchase of your own shares in two phases throughout the year as you did in FY2015?

A9: We increased the pace of raising dividends in FY2015 because our earning power has become well established. We will consider the method of shareholder returns as we continue to make efforts to increase earning power. Also, the shareholder return target of 50% of group core profit is for the medium run, and we intend to repurchase our own shares flexibly.

Q10: **The disclosure of commissions for OTC bank sales has been reported in the media. How do you think this will affect the sales strategy and product strategy of MSI Primary Life, whose main sales channel is financial institutions?**

A10: MSI Primary Life's sales target for every year from FY2016 is set at 1,000.0 billion yen, and we do not think that the disclosure of commissions for OTC bank sales will have an impact on sales strategy or product strategy. It is our understanding that the disclosure of commissions for OTC bank sales is intended to provide sincere and appropriate accountability to customers for the sound growth of the industry as a whole. We will provide sincere and appropriate explanation to customers to avoid confusion.

Q11: **MSI is expected to have an additional provision of 10.0 billion yen to its catastrophe reserves in FY2016. What is the reason for this?**

A11: The catastrophe reserves have been added to according to our reserve plan, but we expect reversals of the catastrophe reserves in FY2016 due to the occurrence of large claims payments and natural catastrophes in FY2015. We have included an additional 10.0 billion yen provision in our plan to ensure the reserve will be accumulated as initially planned.

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