## MS&AD Holdings Conference Call (Aug 9, 2017)
## FY2017 1Q Briefing Q&A Summary

**Below is a summary of the Q&A session from the IR conference call held on Aug 9, 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.

**Q1: The EI (earned/incurred) loss ratio for voluntary automobile insurance shown on Slide 22 has dropped. There seems to have been a reversal of about 10.0 billion yen in the reserves for outstanding claims at MSI. Can you explain why the EI loss ratio has fallen and the amount of the reversal?**

A1: The reason the EI loss ratio has fallen at MSI is because review to reserves for bodily injury liability, a factor in the lower EI loss ratio at the end of March 2017, have run their course, and because of a decrease in the number of large claims. Since the incurred loss for MSI in the first quarter is calculated based on the EI loss ratio for the previous fiscal year, the EI loss ratio has also fallen in the quarter in question.

Note that the balance of the reserve for outstanding claims has dropped by 5.5 billion yen since the end of March 2017.

**Q2: Can you tell us why the EI loss ratio for voluntary automobile insurance at ADI, shown on Slide 19, has risen?**

A2: The factors behind the rise in EI loss ratio this quarter include the fact that the loss ratio on telematics-related reinsurance from overseas subsidiaries is slightly worse than the domestic loss ratio, as well as the impact of exchange rates (weaker yen).

**Q3: There was a newspaper report about the lowering of rates for voluntary automobile insurance, can you tell us what direction MS&AD is considering taking? Also, can you tell us if, following the lowering of rates in January of next year, rates will continue to be lowered in FY2018 and beyond?**

A3: Regarding voluntary automobile insurance rates, both MSI and ADI are in the midst of making final adjustments, and both companies plan to lower rates in January of next year by somewhere around 3%. They also plan to simultaneously revise or abolish their riders.

Regarding the possibility of future rate reductions, those will be considered based on the impact of factors that may increase costs, including the expected consumption tax increase and the lowering of the statutory interest rate, among others.

**Q4:** **This also relates to the lowering of voluntary automobile insurance rates. Other companies say the loss ratio on riders for attorney's fees is worsening, and that they are considering raising the rates for those riders, the lowering rates will be less than 3%. What is the situation at MS&AD?**

A4: Similar to the situation at the other companies you mentioned, while the loss ratio on riders for attorney's fees is not necessarily good, our understanding is that reserves for outstanding claims provide sufficient allowance. We are unable to say anything at this time regarding the pros and cons of instituting an increase in premium rates for said rider.

**Q5:** **Slide 9 concerning catastrophe loss reserves notes that, "The provision rate for fire insurance at MSI was changed from 9% to 5% (a drop of about 8.0 billion yen in the provision for the full year)." Was this something that was incorporated in the initial plan for the year?**

A5: This was not incorporated in the initial plan at the beginning of the fiscal year. Note that the extra provision for fire insurance (4%) was something implemented from the past on an ongoing basis, with the goal of reaching the target balance of accumulated reserves set forth by law. That target amount was reached at the end of last fiscal year, and while we continued to review whether this target amount could reliably be maintained, we arrived at the conclusion that it would be appropriate to lower the provision rate from this fiscal period. This will factor into an increase in pre-tax profit of about 8.0 billion yen per year.

**Q6:** **We understand that you have reached the target amount of catastrophe reserve. Was the extra provision tax deductible or non-deductible? When you discontinued the extra provision, did you apply for permission from or otherwise notify the Financial Services Agency?**

A6: The extra provision was not tax deductible. In terms of impact on the financial statement, we have posted a deferred tax asset, and there is no difference between the tax-deductible and non-deductible figures. Also, there was not required to apply for permission from or notify the Financial Services Agency. Please note that the reserve balance has reached an amount equivalent to cover a major natural catastrophe occurring once in 70 years.

**Q7:** **You mention that you have changed the provision rate, but the net provision amount on a year-on-year basis is nearly unchanged from the previous year. I think this is because fire insurance is performing well this year. The slide notes a "full-year reduction in the**

**provision of about 8.0 billion yen," but what do you think will happen in case insurance premiums continue to increase more than expected?**

A7: The gross provision amount for this quarter was 2.1 billion yen, it was 3.3 billion yen in the same period the previous year. The approximately 8.0 billion yen for the full year is an estimate based on the initial revenues and expenditures plan for this fiscal year.

**Q8: With regard to underwriting profit/loss for domestic non-life insurance, the figure of the first quarter seems to be progressing faster than the full-year forecast. Can you provide roughly which lines of business are doing well, and why?**

A8: While I do not have a breakdown of the figures, generally speaking, we understand there were fewer natural catastrophes than we originally planned for, and additionally, major losses have not occurred, while expectations for a certain level of major losses in fire and other insurance were included in the plan.

**Q9: The cancellation of merger at Max Life Insurance means you will not be posting 21.0 billion yen (post-tax) in gains on share exchange. Will this factor into a drop in Group Core Profit? If so, how will you make up for it?**

A9: The absence of the 21.0 billion yen share exchange gain at Max Life will be a factor lowering Group Core Profit. It will be very difficult to make up for this through other specific components. However, since performance at this point continues to be strong, exceeding our plan centered on domestic non-life insurance business, we continue working in each area toward our initial forecast of 245.0 billion yen in consolidated net income and 230.0 billion yen in Group Core Profit.

**Q10: While you can no longer expect the share exchange gains from the cancellation of merger at Max Life, what is the amount of alternative profit you will be posting in the current fiscal period? Also, is there any possibility you will be raising your equity stake in Max Life from the current 25% to 49%?**

A10: Max Life will continue to be an equity-method affiliate, so alternative profit forecast for this fiscal year amounts to approximately 1.0 billion yen in Group Core Profit. Note that no decision has been made at this time on whether or not to raise our equity stake.

**Q11: Slide 3 notes 4.3 billion yen of Group Core Profit from international business in this quarter, but your full-year plan forecasts a total of 64.0 billion yen, including the 21.0 billion yen from the gain on share exchange at Max Life. The rate of progress seems to be low with respect to the full-year plan, can you tell us about the outlook going forward?**

**Q (follow-up): Medium-sized losses at MS Amlin are incorporated in the plan, and if the**

loss ratio improves after the second quarter, does this mean that your initial plan for 43.0 billion yen, excluding the 21.0 billion yen gain on share exchange at Max Life, will be achievable?**

**Q (follow-up): On Slide 2, ordinary profit from overseas subsidiaries for the first quarter is noted as 4.5 billion yen. The full-year plan forecasts 52.8 billion yen. At MS Amlin, net income for the current quarter was 2.4 billion yen, against a full-year forecast of 30.1 billion yen. In the Americas, net income was 100 million yen against a full-year plan of 2.6 billion yen, and in Asia, net income was 2.8 billion yen against a full-year plan of 13.3 billion yen. It would seem your overseas subsidiaries have struggled considerably this quarter.**

A11: Group Core Profit for our international business is comprised of the total of profits from overseas subsidiaries and the overseas divisions at head office of MSI and ADI. As of the first quarter, Group Core Profit for the international business overall exceeded our plan by several hundred million yen. While progress was low at MS Amlin and other overseas subsidiaries, the overseas divisions at head office of MSI and ADI were making up for it. While you point out that the rate of progress against the full-year plan is low, profits have been largely allocated to the second half of the year under our plan.

**Q12: MS Amlin has had a number of medium-sized losses and an increase in claims reserves for the previous fiscal year. This would be fine if it can be attributed to valuation gains and other market factors, but I believe MS Amlin hedged their equities' risks. Would this not have been a problem without the medium-sized losses? Can you tell us what will factor into a recovery in performance going forward?**

A12: In terms of the situation at MS Amlin, while the first quarter failed to reach expected levels, we do expect a recovery going forward. The full-year plan allocates a large portion of profits to the second half of this fiscal year, and additionally we have also forecast a certain level of major losses (in excess of 20 million dollars), so where we end up will depend on any occurrence of major losses.

In addition, given the steady performance of stock markets in the U.S. and elsewhere, investment performance is doing well, and has recovered considerably compared to last year.

The difficulties seen in the financial statements for the first quarter can be attributed to Cyclone Debbie, which struck Australia, and other relatively large losses that fell short of major losses; to the burden of revising claims reserves for the previous year, and to the depreciation of the British pound against the US dollar and the Euro, which had a negative impact on results.

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